

**NORTHERN HEMISPHERE  
DEVELOPMENT CORP.**

**Consolidated Financial Statements  
February 29, 2004 and February 28, 2003**

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## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF NORTHERN HEMISPHERE DEVELOPMENT CORP.**

We have audited the consolidated balance sheets of Northern Hemisphere Development Corp. as at February 29, 2004 and February 28, 2003 and the consolidated statements of operations and deficit and cash flows for each of the three years in the period ended February 29, 2004. 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 auditing standards generally accepted in Canada and the United States of America. 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 February 29, 2004 and February 28, 2003 and the results of its operations and its cash flows for each of the three years in the period ended February 29, 2004 in accordance with Canadian generally accepted accounting principles. Accounting principles generally accepted in Canada differ in certain significant respects from accounting principles in the United States of America and are discussed in note 12 to the consolidated financial statements.

"Smythe Ratcliffe"

Chartered Accountants

Vancouver, British Columbia  
June 16, 2004

### **COMMENTS BY AUDITORS FOR CANADIAN READERS ON CANADA - US REPORTING CONFLICT**

In the United States, reporting standards for auditors require the addition of an explanatory paragraph, following the opinion paragraph, when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 4 to the financial statements. Our report to the shareholders dated June 16, 2004 is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditors' report when these are adequately disclosed in the financial statements.

"Smythe Ratcliffe"

Chartered Accountants

Vancouver, British Columbia  
June 16, 2004

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
**Consolidated Balance Sheets (note 4)**  
**Canadian Dollars**

	February 29, 2004	February 28, 2003
<b>Assets</b>		
<b>Current</b>		
Cash	\$459,089	\$14,319
Accounts receivable and prepaid expenses	25,708	13,810
	484,797	28,129
<b>Reclamation Deposit</b>	5,000	0
<b>Property and Equipment (note 7)</b>	6,412	0
<b>Investment in and Expenditures on Resource Properties (notes 6 and 8)</b>	416,684	479,410
	\$912,893	\$507,539
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$186,442	\$141,550
<b>Shareholders' Equity</b>		
<b>Capital Stock (note 9)</b>	12,412,563	12,122,053
<b>Deficit</b>	(11,686,112)	(11,756,064)
	726,451	365,989
	\$912,893	\$507,539

Approved on behalf of the Board:

"C.N. O'Sullivan"  
..... Director

C.N. O'Sullivan

"J.F. Callaghan"  
..... Director

J.F. Callaghan

**NORTHERN HEMISPHERE DEVELOPMENT CORP.****Consolidated Statements of Operations and Deficit****Years Ended****Canadian Dollars**

	February 29, 2004	February 28, 2003 (note 3)	February 28, 2002
<b>Revenues</b>			
Oil and gas	\$15,046	\$15,746	\$15,085
Interest	978	91	2,932
	16,024	15,837	18,017
<b>Expenses</b>			
Administrative	350,684	270,269	245,640
Write-off of resource properties	0	11,350	9,968
Well costs	0	0	2,344
Interest	34,000	0	0
Amortization	458	0	0
	385,142	281,619	257,952
<b>Other Items</b>			
Gain on sale of property	(234,969)	0	0
Gain on sale of securities	(284,258)	0	0
	(519,227)	0	0
<b>Foreign Exchange Gain</b>	(2,198)	0	0
<b>Write-off of Accounts Receivable</b>	2,355	0	0
	(519,070)	0	0
<b>Net Income (Loss) Before Income Tax</b>	149,952	(265,782)	(239,935)
<b>Income Tax</b>	80,000	0	0
	69,952	(265,782)	(239,935)
<b>Deficit, Beginning of Year</b>	(11,756,064)	(11,490,282)	(11,250,347)
<b>Deficit, End of Year</b>	\$(11,686,112)	\$(11,756,064)	\$(11,490,282)
<b>Net Income (Loss) Per Share</b>	\$0.02	\$(0.04)	\$(0.04)
<b>Weighted Average Number of Shares Outstanding</b>	8,515,510	6,788,421	5,884,456

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**

**Consolidated Statements of Cash Flows**

**Years Ended**

**Canadian Dollars**

	February 29, 2004	February 28, 2003	February 28, 2002
		(note 3)	
<b>Operating Activities</b>			
Net income (loss)	\$69,952	\$(265,782)	\$(239,935)
Item not involving cash			
Write-off of resource properties	0	11,350	9,968
Write-off of accounts receivable	2,355	0	0
Gain on sale of property	(234,969)	0	0
Gain on sale of securities	(284,258)	0	0
Unrealized Foreign Exchange Gain	(356)	0	0
Amortization	458	0	0
<b>Operating Cash Flow</b>	<b>(446,818)</b>	<b>(254,432)</b>	<b>(229,967)</b>
<b>Changes in Non-Cash Working Capital</b>			
Accounts receivable	(14,253)	1,651	50,363
Accounts payable and accrued liabilities	44,892	81,892	11,013
	30,639	83,543	61,376
<b>Cash Used in Operating Activities</b>	<b>(416,179)</b>	<b>(170,889)</b>	<b>(168,591)</b>
<b>Investing Activities</b>			
Purchase of reclamation deposit	(5,000)	0	0
Purchase of fixed asset	(6,870)	0	0
Investment in and expenditures on resource properties, net of recoveries	(322,275)	(69,740)	(74,433)
Proceeds from sale of property	337,131	0	0
Proceeds from sale of securities	577,453	0	0
<b>Cash Provided by (Used in) Investing</b>	<b>580,439</b>	<b>(69,740)</b>	<b>(74,433)</b>
<b>Financing Activity</b>			
Shares issued for cash, net of issue costs	280,510	243,729	0
<b>Inflow (Outflow) of Cash</b>	<b>444,770</b>	<b>3,100</b>	<b>(243,024)</b>
<b>Cash, Beginning of Year</b>	<b>14,319</b>	<b>11,219</b>	<b>254,243</b>
<b>Cash, End of Year</b>	<b>\$459,089</b>	<b>\$14,319</b>	<b>\$11,219</b>
<b>Supplemental Cash Flow Information</b>			
Shares issued for property option payment	\$10,000	\$10,000	\$0
Interest received	\$978	\$91	\$2,932
Interest paid	\$1,117	\$0	\$0
Income tax paid	\$0	\$0	\$0

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
**Notes to Consolidated Financial Statements**  
**Years Ended February 29, 2004, February 28, 2003 and 2002**  
**Canadian Dollars**

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**1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

Northern Hemisphere Development Corp. (the "Company") was incorporated under the laws of British Columbia. It is an exploration stage public Company whose principal business activity is the exploration for and development of natural resource properties. There has been no significant revenue generated from these activities to date.

These consolidated financial statements include the accounts of Northern Hemisphere Development Corp. and its wholly-owned subsidiary, Hemisphere Development Corporation, a U.S. corporation. All significant inter-company balances and transactions are eliminated.

**2. SIGNIFICANT ACCOUNTING POLICIES**

(a) Investment in and expenditures on resource properties

Acquisition costs of resource properties, rights and options together with direct exploration and development expenditures thereon are deferred in the accounts on a property-by-property basis. The expenditures related to a property from which there is production will be amortized using the unit-of-production method based upon the estimated proven reserves. When there is little prospect of further work on a property being carried out by the Company, the costs of that property are charged to operations.

(b) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and,
- (iii) Revenues and expenses, at the average rate of exchange for the year.

Gains and losses arising from translation of foreign currency are included in net loss for the year.

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(c) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided against future tax assets when it is more likely than not that the tax asset will not be utilized.

(d) Flow-through shares

The Company finances a portion of its exploration program with flow-through common share issues. Income tax deductions relating to these expenditures are claimable only by the investors. Proceeds from common shares issued pursuant to flow-through financing are credited to capital stock.

(e) Net income (loss) per share

Net income (loss) per share computations are based on the weighted average number of common shares outstanding during the year. Diluted loss per share has not been presented for 2003 and 2002 as the outstanding stock options and warrants are anti-dilutive for those years. For 2004, diluted loss per share has not been presented as, per CICA recommendations, where the average market price of the common shares outstanding during the year does not exceed the exercise price of the options or warrants, such options and warrants are not dilutive.

(f) Use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

(g) Stock-based compensation

Effective March 1, 2002, the Company adopted the Canadian Institute of Chartered Accountants Handbook recommendation in accounting for its stock option plans. The Company applies the settlement method in accounting for its employee stock option plans. No compensation expense is recorded when options are granted to employees. Options granted to non-employees are accounted for using the fair value method, where compensation expense is calculated using the Black-Scholes option pricing model.

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(h) Share issuance costs

Share issuance costs are netted against capital stock proceeds.

(i) Amortization

Amortization of equipment is calculated on the declining balance basis at 20% per annum.

**3. COMPARATIVE FIGURES**

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

**4. GOING CONCERN**

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a going concern basis. This presumes funds will be available to finance on-going development, operations and capital expenditures and the realization of assets and the payment of liabilities in the normal course of operations for the foreseeable future.

The Company has minimal capital resources presently available to meet obligations which normally can be expected to be incurred by similar companies, and has accumulated a deficit of \$11,686,112 (2003 - \$11,756,064). These factors raise substantial doubt about the Company's ability to continue as a going concern which is dependent on its ability to obtain and maintain an appropriate level of financing on a timely basis and to achieve sufficient cash flows to cover obligations and expenses. The outcome of these matters cannot be predicted. These financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities which might be necessary should the Company be unable to continue its operations as a going concern (note 6).

**5. FINANCIAL INSTRUMENTS**

(a) Fair value

The carrying value of cash, reclamation deposit and accounts payable and accrued liabilities approximate their fair value because of the short maturity of these financial instruments.

(b) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

## NORTHERN HEMISPHERE DEVELOPMENT CORP.

### Notes to Consolidated Financial Statements

Years Ended February 29, 2004, February 28, 2003 and 2002

Canadian Dollars

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#### 5. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and reclamation deposit. These are placed with well capitalized, high quality financial institutions.

#### 6. REALIZATION OF ASSETS

The investment in resource properties comprises a substantial portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and the attainment of successful production from the properties or from the proceeds of their disposal.

#### 7. PROPERTY AND EQUIPMENT

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	<b>2004</b>		
	Cost	Accumulated Amortization	Net
Equipment	\$6,870	\$458	\$6,412

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	<b>2003</b>		
	Cost	Accumulated Amortization	Net
Equipment	\$0	\$0	\$0

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**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
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**8. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES**

	Sunrise Properties, Northwest Territories (note 8 (a))	Northstar-Kaza Properties, British Columbia (note 8 (b))	Merritt Properties, British Columbia (note 8 (c))	Oil and Gas Wells (note 8 (d))	General Exploration Expenditures	Total
<b>Balance, February 28, 2001</b>	\$335,198	\$0	\$11,350	\$7	\$0	\$346,555
<b>Exploration Expenditures</b>						
Drilling and sampling	37,828	0	0	0	0	37,828
Property investigation	9,028	0	0	0	9,968	18,996
Mobilization and demobilization	14,956	0	0	0	0	14,956
Geological consulting	10,560	0	0	0	0	10,560
Recovery of field work expenses	(7,907)	0	0	0	0	(7,907)
	64,465	0	0	0	9,968	74,433
	399,663	0	11,350	7	9,968	420,988
<b>Write-Off of Resource Properties</b>	0	0	0	0	(9,968)	(9,968)
<b>Balance, February 28, 2002</b>	\$399,663	\$0	\$11,350	\$7	\$0	\$411,020
<b>Acquisition Costs</b>	0	25,000	0	0	0	25,000
<b>Exploration Expenditures</b>						
Geological consulting	0	25,679	0	0	0	25,679
Staking costs	0	11,720	0	0	0	11,720
Mobilization and demobilization	0	11,425	0	0	0	11,425
Property taxes	1,124	2,572	0	0	0	3,696
Mapping	0	1,130	0	0	0	1,130
Drilling and sampling	0	1,090	0	0	0	1,090
	1,124	53,616	0	0	0	54,740
	400,787	78,616	11,350	7	0	490,760
<b>Write-off of Resource Properties</b>	0	0	(11,350)	0	0	(11,350)
<b>Balance, February 28, 2003</b>	\$400,787	\$78,616	\$0	\$7	\$0	\$479,410

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**

**Notes to Consolidated Financial Statements**

**Years Ended February 29, 2004, February 28, 2003 and 2002**

**Canadian Dollars**

**8. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)**

	Sunrise Properties. Northwest (note 8 (a))	Northstar-Kaza Properties. British (note 8 (b))	Merritt Properties. British (note 8 (c))	Oil and Gas Wells (note 8 (d))	General Exploration Expenditures	Total
<b>Balance, February 28, 2003</b>	\$400,787	\$78,616	\$0	\$7	\$0	\$479,410
<b>Acquisition Costs</b>	0	25,000	0		0	25,000
<b>Exploration Expenditures</b>						
Assays	0	22,214	0		0	22,214
Equipment repair and rental	0	30,294	0		0	30,294
Exploration - others	0	47,717	0		0	47,717
Geographical consulting	0	190,210	0		0	190,210
Staking costs	0	3,800	0		0	3,800
Mobilization and	0	13,331	0		0	13,331
Property taxes	0	1,124	0		0	1,124
Mapping	0	2,895	0		0	2,895
Drilling and sampling	0	1,483	0		0	1,483
	0	313,068	0	0	0	313,068
	0	338,068	0	0	0	338,068
<b>Write-off, Sale of Resource Properties</b>	(400,787)	0	0	(7)	0	(400,794)
<b>Balance, February 29, 2004</b>	\$0	\$416,684	\$0	\$0	\$0	\$416,684

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
**Notes to Consolidated Financial Statements**  
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**8. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROSPECTUS (Continued)**

(a) Sunrise properties, Northwest Territories

As at February 28, 2003, the Company maintained an interest of 51.73% in a block of six claims, totalling 4,005 acres, located approximately 70 miles east-northeast of the City of Yellowknife, Northwest Territories known as the Sunrise properties. The claims were acquired in an agreement dated November 12, 1987, and are subject to a 5% net profits royalty payable to a third party. The Company and its partner may purchase the net profits royalty at any time for \$1,000,000. The claims remain in good standing until various anniversary dates in 2017 and 2018.

During the year ended February 29, 2004, the Company sold its 51.73% interest in the Sunrise properties for total consideration of US \$252,442 cash and 42,938 common shares of Silver Standard Resources Inc. On the sale closing date, the shares were valued at approximately CDN \$6.82 per share for total share consideration of approximately CDN \$293,000.

(b) Northstar - Kaza properties, British Columbia

Pursuant to an option agreement dated March 13, 2002, the Company can acquire a 100% interest in 33 claims located in the Omineca Mining Division of British Columbia, upon completion of the following:

- i) Payment of \$15,000 and issuance of 100,000 common shares within 10 business days of receiving TSX Venture Exchange approval (done);
- ii) Payment of \$15,000, issuance of 100,000 common shares, and incurring a minimum of \$75,000 of expenses on the property on or before April 18, 2003 (done)
- iii) Payment of \$15,000, issuance of 100,000 common shares, and incurring an additional \$100,000 of expenses on the property on or before April 18, 2004; (done)
- iv) Payment of \$15,000, issuance of 100,000 common shares, and incurring an additional \$125,000 of expenses on the property on or before April 18, 2005; and
- v) Payment of \$15,000, issuance of 300,000 common shares, and incurring an additional \$200,000 of expenses on the property on or before April 18, 2006.

Once the Company has exercised its option, the vendor will be entitled to a 3% net smelter return ("NSR"), which will be paid in instalments of \$15,000 annually commencing April 18, 2007 until such time as the Company publicly announces that it will be placing the property into commercial production, at which time the requirement to pay an advance NSR payment shall terminate. The Company may purchase the first two percent of the NSR for \$1,000,000 for each percentage point and the remaining one percent may be purchased for \$2,000,000. Should the Company decide to place the property into commercial production, it shall issue to the vendor a total of 500,000 shares within 15 days of public announcement of its intentions.

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
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**8. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROSPECTUS (Continued)**

(b) Northstar - Kaza properties, British Columbia (Continued)

In addition, during the year ended February 28, 2003, the Company acquired a 100% interest in 6 claims adjacent to the Northstar - Kaza properties discussed above for staking costs of \$11,720. The claims are in good standing until March 28, 2011.

(c) Merritt, British Columbia

During the year ended February 28, 2001, the Company acquired a 100% interest in eight claims in the Merritt area of British Columbia. The claims are subject to a 2% NSR. During the year ended February 28, 2003, the Company did not maintain the claims in good standing and therefore forfeited all rights to the claims resulting in a charge to operations of \$11,350 in the year then ended.

(d) Oil and Gas Wells

The Company has a small minority interest in certain oil and gas producing wells situated in the State of Oklahoma, U.S.A. The interest is held in the Company's U.S. subsidiary, Hemisphere Development Corporation. During the year ended February 29, 2004, the Company realized revenue from the oil and gas holdings of \$15,046 (2003 - \$15,746). The interest in these properties is recorded at nominal value. The Company does not plan any further expenditures on these properties.

(e) Elk 1 Claims, Northwest Territories

The Company also maintains a 50% interest in one lithium claim known as the Elk 1 claim, located 115 km east-southeast of Yellowknife, Northwest Territories. The claim was written off the books in a prior year and the Company has no plans to incur any further expenditures on this property. The claim is in good standing until 2009.

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**9. CAPITAL STOCK**

(a) Authorized  
100,000,000 Common shares without par value

(b) Issued and outstanding

	2004		2003	
	Number of Shares	Amount	Number of Shares	Amount
<b>Balance, Beginning of Year</b>	8,106,456	\$12,122,053	5,884,456	\$11,868,324
<b>Issued During the Year</b>				
For Cash, Pursuant to Private Placements				
at \$ 0.10 (note 9(c))	0	0	1,000,000	100,000
at \$ 0.15 (note 9(c))	0	0	1,122,000	168,300
at \$ 0.15 (note 9(e))	1,924,667	288,700	0	0
Pursuant to Resource Property Options				
Northstar - Kaza Property option at \$0.10 (note 9(d))	100,000	10,000	100,000	10,000
Share Issue Costs (notes 9 (c))	0	(8,190)	0	(24,571)
<b>Balance, End of Year</b>	<b>10,131,123</b>	<b>\$12,412,563</b>	<b>8,106,456</b>	<b>12,122,053</b>

The Company has issued common shares for resource properties pursuant to the terms of certain option agreements described in note 8. These shares were issued at a price equal to the Company's market price on the date of the issue.

(c) Private placement of units

During the year ended February 28, 2003, the Company completed two separate private placements for the sale of a total of 1,000,000 units at the price of \$0.10 per unit for gross proceeds of \$100,000. Each unit consists of one common share of the Company and one non-transferable share purchase warrant for the purchase of one further common share at the exercise price of \$0.20 per share for a period of one year from the private placement closing. Of the 1,000,000 share purchase warrants issued, 500,000 expire on June 27, 2003 and the remaining 500,000 expire on August 23, 2003.

Also during the year ended February 28, 2003, the Company completed two separate private placements for the sale of a total of 374,000 units at \$0.45 per unit for gross proceeds of \$168,300. The Company incurred share costs of \$24,571 resulting in net proceeds of \$143,729. Each unit is comprised of two flow-through common shares of the Company ("Flow-Through Shares"), one flow-through warrant ("Flow-Through Warrant"), one non-flow through common share ("Non-Flow-Through Share"), and one half of one non-flow through warrant ("Non-Flow-Through Warrant").

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**9. CAPITAL STOCK (Continued)**

(c) Private placement of units (Continued)

The warrants on this private placement expire as follows:

- (i) For 216,000 units sold, one Flow-Through warrant will entitle the holder to purchase one additional Flow-Through Share at the price of \$0.25 per share for a period expiring November 1, 2003 and at a price of \$0.30 per share from November 2, 2003 up to and including November 1, 2004 and one full Non-Flow-Through Warrant will entitle the holder to purchase one additional Non-Flow-Through Share at the price of \$0.25 per share for a period expiring November 1, 2003 and at a price of \$0.30 per share from November 2, 2003 up to and including November 1, 2004. In addition, 97,200 agents' warrants were issued exercisable at \$0.15 per share, expiring on November 1, 2004.
- (ii) For 158,000 units sold, one Flow-Through warrant will entitle the holder to purchase one additional Flow-Through Share at a price of \$0.25 per share for a period expiring December 16, 2003 and at a price of \$0.30 per share from December 17, 2003 up to and including December 16, 2004 and one full Non-Flow-Through Warrant will entitle the holder to purchase one additional Non-Flow-Through Share at the price of \$0.25 per share for a period expiring December 16, 2003 and at a price of \$0.30 per share from December 17, 2003 up to and including December 16, 2004. In addition, 71,100 agents' warrants were issued exercisable at \$0.15 per share, expiring on December 16, 2004.

(d) Share issue pursuant to resource property option

During each of the years ended February 29, 2004 and February 28, 2003, the Company issued 100,000 common shares at \$0.10, pursuant to the terms of a resource property option agreement as described in note 8(b).

(e) Private placement of units

During the year ended February 29, 2004, the Company completed a private placement for the sale of 1,849,667 flow-through units and 75,000 non-flow through units at the price of \$0.15 per unit for gross proceeds of \$288,700.

Each flow-through unit is comprised of one flow-through common share and one-half of one non-transferable flow through warrant. Each full flow-through warrant will entitle the holder to purchase one additional flow-through common share at the price of \$0.20 per share, expiring on February 6, 2005.

Each non flow-through unit is comprised of one non flow-through common share and one-half of one non-transferable non flow-through warrant. Each full non flow-through warrant will entitle the holder to purchase one additional non flow-through common share at the price of \$0.20 per share, expiring on February 6, 2005.

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**9. CAPITAL STOCK (Continued)**

(e) Private placement of units (continued)

As part of the private placement, the Company incurred share issuance costs of \$8,190. In addition, the agent received 109,200 "broker's options" which entitle the holder to subscribe for one unit consisting of one common share (non flow-through) and one-half share purchase warrant at a price of \$0.20 per unit. Each full warrant will entitle the holder to subscribe for one common share (non flow-through) at a price of \$0.20 per share until February 6, 2006.

Following the year-end, an additional 100,000 shares were issued for proceeds of \$27,900.

(f) Stock options

The Company has a formal plan for the granting of stock options in the form of a Rolling Stock Option Plan. Pursuant to the policies of the TSX Ventures Exchange ("TSX"), the Company may grant incentive stock options to officers, directors, employees and to persons in consideration for services. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance may not exceed 10% of the issued shares at the time of grant and to each individual may not exceed 5% of the issued shares. The exercise price of stock options is determined by the board of directors of the Company at the time of grant and may not be less than the average closing price of the Company's shares on the ten trading days immediately preceding the day on which the option is granted and publicly announced, and may not be less than \$0.10 per share. Options have a maximum term of ten years and terminate 30 days following the termination of the optionee's employment, except in the case of retirement, death or disability, in which case they terminate one year after the event. Vesting of the options is determined at the time of granting of the options at the discretion of the board of directors. Once approved and vested, options are exercisable at any time.

The Company is in the process of drafting a formal stock option plan which is pending shareholder and regulatory approval.

On October 21, 2003, a total of 720,456 stock options were granted to employees and directors of the Company. The options are exercisable at a price of \$0.14 per share and can be exercised for a period of up to 3 years.

Subsequent to February 29, 2004, 120,456 stock options were cancelled upon the termination of an employee service contract.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for options granted to non-employees. During the years ended February 28, 2003 and February 29, 2004 no options were granted to non-employees.

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
**Notes to Consolidated Financial Statements**  
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**Canadian Dollars**

**9. CAPITAL STOCK (Continued)**

(f) Stock options (continued)

The Company applies the settlement value method in accounting for its stock options granted to directors and employees, and accordingly, no stock based compensation expense is recorded in these financial statements for those options granted. Had compensation expense been determined as provided in the fair value method using the Black-Scholes options pricing model, the pro-forma effect on the Company's net income (loss) and per share amounts for the years ended February 29 and February 28 respectively would have been as follows:

	2004	2003	2002
Net income (loss) as reported	\$69,652	\$(265,782)	\$(239,935)
Fair value of stock options	99,062	0	0
Net income (loss) pro forma	(29,410)	(265,782)	(239,935)
Income (loss) per share, as	\$0.01	(\$0.04)	(\$0.04)
Fair value per share of stock	0.01	0	0
Income (loss) per share proforma	\$0.00	(\$0.04)	(\$0.04)

The fair value of each option granted is calculated using the following weighted average assumption:

	2004	2003	2002
Expected life (years)	3	0	0
Interest rate	2.5%	0	0
Volatility	141.67%	0	0
Dividend yield	0.00%	0	0

Details of the status of the Company's stock options as at February 29, 2004 and February 28, 2003 and changes during the years then ended are as follows:

	2004		2003	
	Shares	Exercise Price	Shares	Exercise
Options outstanding and exercisable, Beginning of year	100,000	\$ 0.14	550,000	\$ 0.14 - 0.25
Granted	720,456	0.14	0	0
Expired	(100,000)	0.14	(450,000)	0.25
Options outstanding and exercisable, end of year	720,456	\$ 0.14	100,000	\$ 0.14

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
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**Canadian Dollars**

**9. CAPITAL STOCK (Continued)**

(f) Stock options (continued)

Share purchase options are outstanding as follows:

Expiry Date	Exercise Price	Number of Shares	
		2004	2003
December 19, 2003	\$ 0.14	0	100,000
October 21, 2006	\$ 0.14	720,456	0

(g) Warrants outstanding

Expiry Date	Exercise Price	Number of Shares	
		2004	2003
June 27, 2003	\$ 0.20	\$0	500,000
August 23, 2003	\$ 0.20	0	500,000
November 1, 2003/2004	\$ 0.25/\$ 0.30	324,000	324,000
November 1, 2004	\$ 0.15	97,200	97,200
December 16, 2003/2004	\$ 0.25/\$0.30	237,000	237,000
December 16, 2004	\$ 0.15	71,100	71,100
February 6, 2005	\$ 0.20	962,333	0
		\$1,691,633	\$1,729,300

**10. RELATED PARTY TRANSACTIONS**

- (a) Management fees of \$60,147 (2003 - \$60,000), were charged by a Company which was controlled by the family of a director, of which (\$5,000) (2003 - \$10,000) was included in accounts payable and accrued liabilities at year end. In addition, fees for consulting services of \$60,000 (2003 - \$60,000), was paid to a director.
- (b) Included in accounts payable and accrued liabilities is \$31,340 (2003 - \$83,130) due to directors or companies controlled by directors of the Company and \$14,392 (2003 - 5991) due to a Company with common directors.
- (c) Salary and benefits of \$10,181 (2003 - \$24,264) were paid to an officer of the Company.
- (d) Rent expense of \$6,370 (2003 - 6,834) was charged by a Company with common directors.

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
**Notes to Consolidated Financial Statements**  
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**11. INCOME TAX LOSSES**

- (a) The Company has operating losses which may be carried forward to apply against future years' income for Canadian income tax purposes. The tax effect has not been recorded in the financial statements. These losses expire as follows:

Available to	Amount
2005	\$205,985
2006	186,187
2007	133,036
2008	186,846
2009	198,221
2010	205,870
2011	255,637
	<b>\$1,371,782</b>

- (b) The components of the future income tax assets are as follows:

	<b>2004</b>	<b>2003</b>
<b>Future Income Tax Assets</b>		
Non-capital loss carry-forwards	\$1,371,782	\$1,558,900
Capital loss carry-forwards	103,207	103,207
Excess of undepreciated capital cost over net book value of fixed assets	144,875	144,417
Deductible finance fees	21,295	19,656
Canadian exploration expenditures (net of renounced expenditures)	544,440	539,861
	<b>2,185,599</b>	<b>2,366,041</b>
Approximate tax rate	38%	38%
	<b>830,528</b>	<b>899,096</b>
Less: Valuation allowance	(830,528)	(899,096)
	<b>\$0</b>	<b>\$0</b>

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
**Notes to Consolidated Financial Statements**  
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**12. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CANADIAN GAAP AND U.S. GAAP)**

(a) Resource properties

In accordance with Canadian GAAP, exploration and development expenditures are capitalized (note 2(a)). Under U.S. GAAP all exploration and development expenditures are charged to operations when incurred.

(b) Stock options

In accordance with Canadian GAAP, options granted to employees, officers and directors are accounted for using the settlement method. Under U.S. GAAP, such options must be accounted for using the intrinsic value or fair value method.

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**  
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**12. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CANADIAN GAAP AND U.S. GAAP) (Continued)**

(c) Reconciliation of total assets, liabilities and shareholders' equity at February 29 and February 28 respectively.:

	<b>2004</b>	<b>2003</b>
Total assets for Canadian GAAP	\$912,893	\$507,539
Adjustments to U.S. GAAP		
Capitalized mineral expenditures	(416,684)	(479,410)
<b>Total assets for U.S. GAAP</b>	<b>\$496,209</b>	<b>\$28,129</b>
Total liabilities per Canadian GAAP	\$186,442	\$141,550
Adjustments to U.S. GAAP	0	0
<b>Total liabilities for U.S. GAAP</b>	<b>\$186,442</b>	<b>\$141,550</b>
Total capital stock for Canadian GAAP	12,412,563	12,122,053
Adjustment to U.S. GAAP		
Fair value of stock options	99,062	0
	12,511,625	12,122,053
Total deficit for Canadian GAAP	\$(11,686,112)	\$(11,756,064)
Adjustment to U.S. GAAP		
Exploration adjustments	(416,684)	(479,410)
Stock based compensation	(99,062)	0
<b>Total deficit for U.S. GAAP</b>	<b>(12,201,858)</b>	<b>(12,235,474)</b>
Total shareholders' deficiency and liabilities for U.S. GAAP	\$496,209	\$28,129

**NORTHERN HEMISPHERE DEVELOPMENT CORP.****Notes to Consolidated Financial Statements****Years Ended February 29, 2004, February 28, 2003 and 2002****Canadian Dollars****12. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CANADIAN GAAP AND U.S. GAAP) (Continued)**

- (d) Reconciliation of earnings (loss) reported in accordance with Canadian GAAP and U.S. GAAP at February 29 and February 28 respectively:

	2004	2003	2002
Net income (loss) - Canadian GAAP	\$69,952	\$(265,782)	\$(239,935)
Adjustments decreasing (increasing) net loss			
Exploration and development expenditures for the year	(338,068)	(79,740)	(74,433)
Write-off of resource properties	0	11,350	9,968
Stock based compensation	(99,062)	0	0
<b>Net Loss U.S. GAAP</b>	<b>\$(367,178)</b>	<b>(334,172)</b>	<b>(304,400)</b>
Comprehensive income adjustments	0	255	6,139
<b>Comprehensive Loss U.S. GAAP</b>	<b>\$(367,178)</b>	<b>\$(333,917)</b>	<b>\$(298,261)</b>
Net Income (loss) per common share			
Canadian GAAP - Basic	\$ 0.01	\$ (0.04)	\$ (0.04)
Net loss per common share			
U.S. GAAP - Basic	\$ (0.04)	\$ (0.05)	\$ (0.05)
Weighted average number of shares outstanding (Canadian GAAP and U.S. GAAP)	8,515,510	6,788,421	5,884,456

**NORTHERN HEMISPHERE DEVELOPMENTS CORP.**  
**Form 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the fiscal year ended February 28, 2004**

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The following discussion and analysis of the operations, results, and financial position of the Company for the fiscal year ended February 29, 2004 should be read in conjunction with the February 29, 2004 Audited Financial Statements and the related Notes. The effective date of this report is July 15, 2004.

**Forward Looking Statements**

Except for historical information, the Management's Discussion and Analysis ("MD&A") may contain forward looking statements. These statements involve known and unknown risks, uncertainties, and other factor that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements.

**Business Overview**

The Company's principal business activities are the exploration and development of mineral properties. The Company is in the process of exploring and developing its mineral properties and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete development, confirmation of the Company's interest in the underlying mineral claims and leases and upon future profitable production or sufficient proceeds from the disposition of its mineral properties. The Company is continually investigating new exploration opportunities, and mineral exploration is carried out on properties identified by management of the Company as having favorable exploration potential. Interests in such properties are acquired in various ways. In some cases, the Company, through its own efforts, stake mineral claims or acquires exploration permits. In other cases the Company acquires interest in mineral properties from third parties. An acquisition from a third party is typically made by way of an option agreement, which requires the Company to make specific option payments and to incur a specified amount of exploration and development expenditures. Once having incurred the specified exploration expenditures, the parties will enter into a joint venture requiring each party to contribute towards future exploration and development costs, based on its percentage interest in the property, or suffer dilution of its interest.

The Company advances its projects to varying degrees by prospecting, mapping, geophysics and drilling. Once a property is determined to have limited exploration potential, the property is abandoned or sold. In cases where exploration work on the property reaches a stage where the expense and risk of further exploration and development are too high, the Company may seek a third party to earn an interest by furthering the development. Optioning a property to a third party allows the Company to retain an interest in further exploration and development while limiting its obligation to commit large amount of capital to any one project.

The mineral exploration business is high risk and most exploration projects will not become mines.

## **Current Operations**

The Company holds mineral claims in the British Columbia and the Northwest Territories. The Company also has a small minority interest in certain oil and gas producing wells situated in the State Oklahoma, USA.

The Company maintains a 50% interest in one lithium claim located in the Northwest Territories which were written off the books in a prior year. The Company's oil and gas interests are held in the Company's U.S. subsidiary at nominal value. The Company does not plan any further exploration on either of these properties. The Company also held a 51.73% interest in a block of six claims known as the Sunrise property that was sold in the fiscal year in consideration of \$252,442 cash and 42,938 common shares of Silver Standard Resources Inc. valued at Cdn \$6.82 per share. The interest the Company held in eight mineral claims in the Merritt, British Columbia are was written off during the year upon abandonment of the claims resulting in a charge to operations of \$11,350.

In fiscal 2004, the Company's main focus has been on the claims located Omineca Mining Division of British Columbia, Canada, know as the Northstar-Kaza property.

The Northstar-Kaza properties are subject to an option agreement whereby the Company has the right to acquire 100% interest in 33 claims. Under the terms of the Option Agreement and in order to exercise the Option the Company must make further payment of \$30,000 and incurred additional exploration on the claims of \$325,000 in stages over a two year period. The Company has the right, following completion of the option, to acquire a 3% net smelter return ("NSR") held on the property by making annual installments of \$15,000 commencing April 18, 2007 until commercial production has been determined at which time the Company is required to issue 500,000 common shares. At the same time, the annual payments will stop and at the Company's election, the company can pay \$1,000,000 to acquire the the first two percent and the remaining one percent for \$2,000,000. In addition, the Company acquired a 100% interest in six claims adjacent to this property for staking costs of \$11,720.

## **Year in Review**

As mentioned above, the Company sold it Sunrise Property for US \$252,442 cash and 42,938 shares of Silver Standard Resources, which at today's prices has a total value of \$461,583. The Sunrise property had good potential however, the Company required a joint venture partner with far greater financial and other resources than that of the Company's to assist in developing it. Since the Company did not hold 100% in the property, it was difficult, if not impossible, to find a partner willing to finance it. The offer, valued at the time of approximately \$650,000, was considered a very good offer and accepted by the Board of Directors.

During the year, the Company conducted exploration on the Kaza and Northstar properties at a cost of \$313,068. The Northstar-Kaza Project consists of two project areas, the Kaza and Northstar, spaced 15 kilometres apart, contained within a single contiguous 2,800-hectare property.

### **Kaza**

The Kaza Project summer exploration program conducted during 2003, consisted of mapping and geochemical sampling and identified several southeast—northwest trending mineralized zones thought to be parallel to the main trend where previous trenching identified a zone of copper-gold mineralization associated with a trend of quartz-feldspar porphyritic felsic dykes. Values to 0.796% copper and 1.70 grams/tonne gold across 7.5 metres obtained from past trenching (Trench K-T-7) are now interpreted to belong to a parallel but separate zone northeast of the main trend.

A separate, southeast-northwest trending zone of auriferous chalcopyrite mineralization in strongly hornblende-altered andesite, representing a distinct mineralogical setting, was also identified in 2003. Assays from composite grab sampling along this trend returned consistently high coincident copper- gold values to 3.08% copper, 11 .7-grams/tonne gold and 67 grams/tonne silver. The summer exploration program also confirmed that massive pyrite-chalcopyrite mineralization encountered in an earlier trench (K-T-8), and reported assay values of 0.385% copper, 0.617 grms/tonne gold and 6.7 grams/tonne silver across 42 metres is open-ended in both directions.

The drilling program will test the projected down-dip extension of this trench-hosted mineralization within the newly identified northeast-southwest trending zone. A second hole to the east will test both the down-dip extension of this zone at the location of the auriferous composite grab samples, and the southeast trending zone hosting Trench K-T-7. Three other drill holes will test the main trend; one partially across a unit of auriferous, chalcopyrite-bearing limestone and silicified limestone; a second near a past drill intersection reporting assays of 14.4 grams/tonne gold and 120.0 grams/tonne silver across 1.2 metres; and a third drill hole will cross a broad section where summer sampling of a dyke associated mineralization returned assay values of 1.515 grams/tonne gold across 4.0 metres.

### **Northstar**

At the Northstar Project area, three drill holes will test an interpreted north-south trending dilational corridor at depth. Associated induced-polarization surveys (IP) and coincident soil geochemical anomalies were identified during the summer exploration season. This dilational corridor hosts abundant massive chalcocite veins, some of which returned assay values from grab samples to 35.00% copper and 258-grams/tonne silver, grading to bornite veins to the north. Within this corridor, these drill holes will target several previously identified targets from south to north including the "Discovery Cut", where past sampling returned assay values to 2.8% copper and 13.6 grams/tonne silver, Trench TN-2, where past sampling returned assay values to 6.95% copper and 55.3 grams/tonne silver, and a showing of quartz bornite veining, from which the summer exploration sampling returned values to 4.69% copper and 33.2 grams/tonne silver across 2.3 metres.

A fourth drill hole will target a separate southeast—northwest trending zone of chalcocite mineralization delineated in the late 1960s during a previous drill program. Assay results report values of 2.79% copper across 7.92m, and 1.68% copper across 14.6m. The target is close to the interpreted intersection of the southeast-northwest trending zone and the dilational corridor, potentially resulting in increased structural preparation and subsequent vein mineralization.

### **Other discoveries**

Elsewhere within the Kaza-Northstar Project, a 0.9 metre chip sample of chalcopyrite-rich chloritic basalt, taken 1.5 km east of the main Kaza trend, returned a value of 3.06% copper, 0.05 grams/tonne gold and 74 grains/tonne silver. A nearby composite grab sample of similar material returned 2.50% copper, 0.36 g/tonne gold and 39.0 g/tonne silver. A composite grab sample of silicified chalcopyrite bearing basalt, 40 metres to the north of these assay results, returned 0.58% copper, 1.210 grams/tonne gold and 6.2 grams/tonne silver. This newly discovered showing suggests that the Kaza-Northstar Project property covers a newly emerging district-scale mineralized camp.

Carl Schulze, B.Sc., P.Geol., is the Qualified Person for the Kaza/Northstar Project in compliance with National Instrument 43-101.

Subsequent to the year, the 2004 diamond drilling program at the Kaza-Northstar Project commenced. This program will involve an initial phase of 5,500 feet (1,670m) targeting two major project areas: the Northstar and Kaza project areas respectively. All drill sites have now been delineated in the field, and construction of a large base camp is nearing completion.

At the Northstar project area, the year-2004 program will target copper-silver mineralization consisting of chalcocite – bornite veining occurring within a broad area. At the Kaza project area,

drilling will focus on “skarn” and replacement-style mineralization along the north-northwest trending “Main Zone”, having a minimum strike length of 500m. Surface exploration also commenced on the Kaza-Northstar project area, and will consist of follow-up work on several showings discovered in 2003, as well as on strong soil and silt geochemical anomalies. Additional copper occurrences have already been located near drill targets along the Hornblendite Zone. Northern Hemisphere is preparing for a further aggressive drilling program following results of this initial phase. Carl Schulze, BSc, PGeo, is the Qualified Person for the Kaza-Northstar Project and has reviewed the information contained herein in accordance with the regulations under National Instrument 43-101.

## Results of Operations

The Company reported a net gain for the fiscal year ended February 28, 2004 of \$69,952 or \$0.02 per share (2003: 265,782 or \$0.04 per share).

The Company realized \$15,046 (2003: \$15,746) in oil and gas revenues and \$519,227 on the sale of assets. Revenue from the Company’s minority interests in oil and gas producing wells has been consistent for three consecutive years. These wells were written down to nominal value several years ago when the Company made the decision not to proceed with oil and gas interests. The \$519,227 realized on the sale of assets relates to the sale of the Sunrise property and the securities the Company received as part of the consideration of the sale as discussed above.

The Company conducted exploration in the year of \$322,275 of which \$313,068 was on the Kaza and Northstar properties.

The Company recorded income taxes of \$80,000 and interest expense of \$34,000 both relating to 1997-1998 flow-through assessments. Administrative expenses of \$350,684 increased from \$270,269 in 2003.

## Selected Annual Information

The following are highlights of financial data on the Company for the most recently completed three financial years:

	Fiscal year ended		
	February 29,		
	2004	2003	2002
	\$	\$	\$
<b>Loss before extraordinary items</b>	385,142	281,619	257,952
<b>Net (Loss) Income</b>	69,952	(265,782)	(239,935)
<b>Loss Per Share</b>	0.02	(0.04)	(0.04)
<b>Total Assets</b>	912,893	507,539	437,700
<b>Total Liabilities</b>	186,442	141,550	59,658
<b>Working Capital (deficiency)</b>	298,355	(113,421)	(48,439)

## Summary of Quarterly Results

	2004	2003	2003	2003	2003	2002	2002	2002
Period ended	Feb. 29 Q4	Nov. 30 Q3	Aug. 31 Q2	May 30 Q1	Feb. 28 Q4	Nov. 30 Q3	Aug. 31 Q2	May. 30 Q1
<b>Total Revenue</b>	11,815	2,584	3,430	2,787	4,803	4,116	3,379	2,791
<b>Income (loss) before extraordinary items</b>	(144,016)	(85,937)	(116,228)	(61,075)	(98,230)	(77,948)	(64,459)	(23,191)
<b>Basic per Share</b>	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)
<b>Diluted Per Share</b>	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)
<b>Net Income (loss)</b>	15,801	274	116,228	61,075	92,706	(73,810)	(61,075)	(23,191)
<b>Basic per Share</b>	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)
<b>Diluted per Share</b>	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)

### Share Capital and Financing Activities

During the year, the Company completed a private placement involving the issuance of 1,849,667 tax flow-through units and 75,000 non flow-through units at a price of \$0.15 per unit for gross proceeds of \$288,700.

### Liquidity and Capital Resources

Historically, the Company has raised funds through equity financing and the exercise of options and warrants to fund its operations. The Company has working capital of \$292,355 at February 29, 2004. The Company will require funding to finance corporate and administrative expenses and ongoing exploration on the Company's mineral properties in the near future.

### Related Party Transactions

During the year, the Company incurred \$120,147 in charges by directors or companies with common directors of for management and consulting fees. Salaries and benefits of \$10,181 were paid to an officer of the Company and \$6,370 was paid for rent expense of \$6,370 to a Company with common directors.

### Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

### Critical Accounting Estimates

See Note 2 to the February 29, 2004 year end audited financial statements of the Company's significant accounting policies.

### Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, loans payable, promissory notes payable, convertible debentures payable, and amounts owing to related parties. Terms of the financial instruments are fully disclosed in the Company's financial

statements. It is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from its financial instruments and that their fair values approximate their carrying values unless otherwise noted.

## Risks

Mineral exploration and development involve a high degree of risk and few properties are ultimately developed into producing mines. There is no assurance that the Company's future exploration and development activities will result in any discoveries of commercial bodies of ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in a mineral deposit being unprofitable.

## Disclosure for Venture Issuers without Significant Revenue

The following table is a breakdown of the material components listed for the three most recently completed financial years:

	Fiscal year ended February, 29		
	2004	2003	2002
<b>Capitalized exploration and development costs</b>	322,275	69,740	74,433
<b>Expensed research &amp; development costs</b>	-	11,350	9,968
<b>Deferred development costs</b>	-	-	-
<b>General &amp; Administration costs</b>	350,684	270,269	245,640
<b>Material costs, whether capitalized, deferred or expensed, not referred to in above</b>	(519,227)	0	0

## Additional Information

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).