

NORTHERN HEMISPHERE DEVELOPMENT CORP.

1ST QUARTER INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDING MAY 31, 2004

Northern Hemisphere Development Corp.
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TSX-V Trading Symbol: "NHD"

These interim financial statements have not been reviewed by the Company's auditors.

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Consolidated Balance Sheet
(Unaudited - Prepared by Management)

ASSETS

	May 31, 2004	February 28, 2004
	\$	\$
Current assets		
Cash and term deposits	416,672	459,089
Accounts receivable	48,477	25,708
	<u>465,149</u>	<u>484,797</u>
Reclamation bond	5,000	5,000
Property and Equipment (Note 4)	6,091	6,412
Investment in and Expenditures on Resource Properties (Note 3)	659,522	416,684
	<u>1,135,763</u>	<u>912,893</u>

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	<u>338,185</u>	<u>186,442</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 5)	12,576,062	12,412,563
Deficit	(11,778,485)	(11,686,112)
	<u>797,577</u>	<u>726,451</u>
	<u>1,135,763</u>	<u>912,893</u>

On Behalf of the Board

Signed:

“Charlie O’Sullivan”

Director

“Frank Callaghan”

Director

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Consolidated Statement of Operations and Deficit
(Unaudited - Prepared by Management)

	3 Months May 31	
	2004	2003
	\$	\$
Income:		
Oil and gas revenue, net of cost	3,936	2,385
Expenses:		
Auto expense	249	-
Audit and accounting	3,210	-
Consulting	15,000	-
Shareholder communications and investor relations	28,107	180
Legal fees	(1,481)	1,154
Listing and filing fees	1,732	2,828
Management fees	15,000	15,000
Office rent, services, and supplies	15,855	1,906
Salaries and benefits	14,384	13,014
Travel and accommodation	4,174	-
Transfer agent	887	200
	(97,117)	(34,282)
Less: Interest income	808	10
	(96,309)	(34,272)
Recovery of costs	-	1,688
	(96,309)	(32,582)
Loss for the period	(92,373)	(30,199)
Deficit, beginning of period	(11,686,112)	(11,756,064)
Deficit, end of period	(11,778,485)	(11,786,263)
Loss per share	\$(0.00)	\$(0.00)

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Consolidated Statement of Cash Flows
(Unaudited - Prepared by Management)

	3 Months May 31	
	2004	2003
	\$	\$
CASH PROVIDED BY (USED IN)		
Operating Activities:		
Loss for the period	(92,373)	(30,199)
Expenses (recoveries) not involving current outlay of cash:		
Depreciation	321	-
	(92,052)	(30,199)
<i>Changes in non-cash working capital items:</i>		
Amounts receivable and prepaid expense	(22,780)	2,046
Due to related parties	163,849	16,078
Accounts payable and accrued liabilities	(12,096)	(198)
	36,921	(12,273)
Financing activities:		
Share subscriptions	-	-
Issuance of shares for cash	168,900	-
Investing Activities:		
Investment in and expenditures on resource properties, net of recoveries	(242,837)	(1,524)
Cost of issuance	(5,400)	-
	(248,237)	(1,524)
Increase (decrease) in cash	(42,417)	(13,797)
Cash, beginning of period	459,089	14,319
Cash, end of period	416,672	522

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Notes to Consolidated Financial Statements
May 31, 2004

1. Basis of Presentation

These unaudited financial statements have been prepared in accordance with the instructions for the preparation of such financial statements contained in the CICA Handbook Section 1751. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such instructions.

These unaudited financial statements should be read in conjunction with the Audited Financial Statements and Notes thereto for the fiscal year ended February 29, 2004. These statements have not been reviewed by an auditor.

2. Comparative Figures

Certain of the prior years comparative figures have been reclassified to conform to the presentation adopted for the current year.

3. Investment in and Expenditures on Resource Properties

a) Resource properties are recorded as follows:

Balance, February 28, 2004	\$ 416,684
Exploration and development expenditures during the period:	
Northstar-Kaza Property:	
Acquisition costs	25,000
Accommodations	2,560
Administration	2,958
Camp construction	105,443
Core samples	7,552
Equipment rental	29,632
Equipment repair	16,605
Fuel	1,799
Geological consulting	3,097
Meals	2,880
Mobilization and demobilization	5,597
Taxes and assessments	(290)
Roads and pads	41,218
Salaries	1,194
Surface drilling	4,578
Total expenditures during the period	<u>249,823</u>
Less: Grant	<u>(6,985)</u>
Balance, May 31, 2004	<u>\$ 659,522</u>

(b) Northstar - Kaza properties, British Columbia

During the period the Company paid \$15,000 and issued 100,000 common shares at a deemed value of \$0.10 per share.

3. Investment in and Expenditures on Resource Properties

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

Pursuant to an option agreement dated March 13, 2002, the Company is required to pay an additional \$30,000 and issue a further 400,000 common shares in installments to April 16, 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 installments 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.

In addition, the Company acquired a 100% interest in 6 claims adjacent to the Northstar - Kaza properties discussed above for staking costs of \$11,720.

(c) 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 quarter ended May 31, 2004, the Company realized revenue from the oil and gas holdings of \$3,936. The interest in these properties is recorded at nominal value. The Company does not plan any further expenditures on these properties.

4. Property and Equipment

	<i>Cost</i> \$	<i>Accumulated</i> <i>Depreciation</i>	<i>2004</i> <i>Net Value</i>
Equipment	6,870	779	6,091

5. Share Capital

a) Authorized 100,000,000 common shares without par value

b) Issued:

	<i>Number</i> <i>of shares</i>	<i>\$ Amount</i>
Balance, beginning of period	10,131,123	\$12,412,563
For Property Acquisition (Note 3)	100,000	10,000
Issued for cash	1,059,333	158,900
Less: cost of issuance		(5,400)
Balance, end of period	11,290,456	\$12,576,063

5. Share Capital, continued

c) Non-cash transactions

During the period the Company issued 100,000 common shares at \$0.10 per share in respect to the acquisition of a resource property (See Note 3)

d) Private Placement

The Company issued 1,059,333 units at \$0.15 per unit, each unit consisted of one common share and $\frac{1}{2}$ of one non-transferable share purchase warrant, every one whole entitling the holder to purchase one further common share of the Company at the exercise price of \$0.20 per share expiring February 6, 2005. In connection with this placement, as a finder fee, the Company granted an option purchase up to 109,200 units, consisting of one common share and $\frac{1}{2}$ of one share purchase warrant, every one whole warrant entitling holder to purchase one further share (54,600 shares) for a period of two years at the exercise price of \$0.20 per share, expiring February 5, 2005. The Company also paid cash of \$5,400 for finder fees in connection with this placement.

6. Related Party Transactions

Transactions with related parties not disclosed elsewhere in these Financial Statements comprise:

- a) During the period the Company paid, or made provision for the future payment the following amounts:

\$30,000 to Directors or companies controlled by Directors, for management and consulting fees.

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Form 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the quarter ended May 31, 2004

The following discussion and analysis of the operations, results, and financial position of the Company for the quarter ended May 31, 2004 should be read in conjunction with the May 31, 2004 unaudited financial statements and the related Notes. The effective date of this report is July 28, 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 factors 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 acquired 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 amounts 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 of Oklahoma, USA.

The Company holds a 50% interest in one lithium claim located in the Northwest Territories which was 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.

In the first quarter ended May 31, 2004, the Company's main focus has been on the claims located in the Omineca Mining Division of British Columbia, Canada, known 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 payments of \$30,000 and to incur 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 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.

Quarter in Review

The Company conducted exploration on the Kaza and Northstar properties at a cost of \$217,517. 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.

The 2004 diamond drilling program at Northern Hemisphere's Kaza-Northstar Project commenced in the quarter. This program involves 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 been delineated in the field, and construction of a large base camp is near completion.

Northstar

At the Northstar project area, the program will target copper-silver mineralization consisting of chalcocite – bornite veining occurring within a broad area. Past drilling returned values to 1.68% copper across 48 ft (14.6m) and 2.79% copper across 26 ft (7.92m); surface channel sampling returned values to 13.25% copper across 20 ft (6.10m). Year-2003 work by Northern Hemisphere indicated that much of this occurs along a broad north-south trending extensional corridor with a minimum strike length of 250m. Previous Induced Polarization (IP) surveying revealed a coincident chargeability anomaly. Earlier trench sampling of massive chalcocite veining at the "Discovery Cut" at the south end returned values to 7.9% copper and 55.2 g/t silver across 5.0m; the 2003 program returned values to 4.69% copper and 33.2 g/tonne silver across 2.3m from stockwork-hosted chalcocite-bornite veining at the north end.

Kaza

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. Past drilling returned values to 1.17% copper, 14.4 g/tonne (0.46 opt) gold and 120.0 g/tonne (3.9 opt) silver across 1.2 metres. This zone is coincident with earlier defined IP-resistivity and chargeability anomalies, of which year-2003 IP surveying results suggest significant strike extension potential.

The 2004 program will also target the east-southeast trending "Hornblendite Zone", consisting of a distinct alteration and mineralized setting identified during Northern Hemisphere's year-2003 surface program. Rock grab and composite gram sampling returned consistently very high values, including: 3.08% copper, 11.70 g/t gold and 67.0 g/t silver; 1.26% copper, 10.60 g/t gold and 24.7 g/ silver; and 1.76% copper, 6.37 g/t gold and 23.1 g/t silver. Past IP surveying revealed a coincident and pronounced chargeability anomaly. High copper-gold values obtained from earlier trenching have recently been confirmed to originate from Hornblendite Zone mineralization.

Other Activities

Surface exploration commenced on the Kaza-Northstar project area during the quarter. The program 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.

The Company is conducting a private placement of up to 3,000,000 units at the price of \$0.15 per unit. Each unit will consist of one common share and ½ of one non-transferable share purchase warrant, every one whole warrant entitling the holder to purchase one further share of the Company for a period of one year from closing at the exercise price of \$0.20 per share. A percentage of the number of units sold will be for flow through units which will consist of one flow-through share and ½ of one warrant, each whole warrant entitling the holder to purchase one non-flow-through share at the price of \$0.20 per share. Proceeds from this private placement will be used for continuing work on the Company's Kaza Northstar Properties located in the Omineca Mining District of British Columbia and for working capital purposes.

Results of Operations

The Company reported a loss of \$92,373 or \$0.00 per share, for the quarter ended May 31, 2004. The Company realized \$3,936 in oil and gas revenues. The 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 Company capitalized exploration expenditures on the Kaza and Northstar properties in the quarter. Administrative expenses of \$97,117 increased from \$34,282 in the corresponding quarter in 2003. The increase is due to the increased exploration and financing activities this quarter.

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

Summary of Quarterly Results

	2004	2004	2003	2003	2003	2003	2002	2002
Period ended	May 31	Feb. 29	Nov. 30	Aug. 31	May 31	Feb. 28	Nov. 30	Aug. 31
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total Revenue	3,936	11,815	2,584	3,430	2,787	4,803	4,116	3,379
Income (loss) before extraordinary items	(92,373)	(144,016)	(85,937)	(116,228)	(61,075)	(98,230)	(77,948)	(64,459)
Basic per Share	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)
Diluted Per Share	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)
Net Income (loss)	(92,373)	15,801	274	116,228	61,075	92,706	(73,810)	(61,075)
Basic per Share	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)
Diluted per Share	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)

Share Capital and Financing Activities

The Company issued 1,059,333 units at \$0.15 per unit. Each unit consisted of one common share and $\frac{1}{2}$ of one non-transferable share purchase warrant, every one whole entitling the holder to purchase one further common share of the Company at the exercise price of \$0.20 per share expiring February 6, 2005. In connection with this placement, as a finder fee, the Company granted an option purchase up to 109,200 units, consisting of one common share and $\frac{1}{2}$ of one share purchase warrant, every one whole warrant entitling holder to purchase one further share (54,600 shares) for a period of two years at the exercise price of \$0.20 per share, expiring February 5, 2005. The Company also paid cash of \$5,400 for finder fees in connection with this placement.

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 \$126,964 at May 31, 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 quarter, the Company paid \$30,000 in consulting and management fees to directors, or private companies controlled by 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
Capitalized exploration and development costs	322,275	69,740	74,433
Expensed research and development costs	-	11,350	9,968
Deferred development costs	-	-	-
General and Administration costs	350,684	270,269	245,640
Material costs, whether capitalized, deferred or expensed, not referred to in above	(519,227)	-	-

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.