

Consolidated Financial Statements  
(Expressed in Canadian Dollars)

**NORTHERN HEMISPHERE  
DEVELOPMENT CORP.**

For the six months ended August 31, 2004

The accompanying Financial Statement for the six months ended August 31, 2004 and 2003 have not been reviewed or audited by the Company's Auditors.

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

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ASSETS

	August 31, 2004	February 28, 2004
	\$	\$
Current assets		
Cash and term deposits	2,862	459,089
Accounts receivable	65,100	25,708
	<u>67,962</u>	<u>484,797</u>
Reclamation bond	5,000	5,000
Property and Equipment (Note 4)	7,461	6,412
Resource Properties (Note 3)	1,215,999	416,684
	<u>1,296,422</u>	<u>912,893</u>

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	79,656	155,711
Due to related parties	93,039	30,731
	<u>172,695</u>	<u>186,442</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 5)	13,004,913	12,412,563
Contributed surplus (Note 5)	77,800	-
Deficit	(11,958,986)	(11,686,112)
	<u>1,123,727</u>	<u>726,451</u>
	<u>1,296,422</u>	<u>912,893</u>

On Behalf of the Board

Signed:

"J. Frank Callaghan", Director

"Charles O'Sullivan", Director

See Accompanying Notes to the Consolidated Financial Statements

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

	3 Months August 31		6 Months August 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Income:				
Oil and gas revenue, net of cost	610	3,430	4,517	5,815
Expenses:				
Amortization	321	-	641	-
Auto expense	160	4,588	409	4,588
Audit and accounting	14,390	4,534	17,600	4,534
Consulting fees	15,000	30,000	30,000	30,000
Shareholder communications and advertising	289	17,204	21,833	17,384
Stock based compensation	77,800	-	77,800	-
Legal fees	320	13,838	426	14,992
Listing and filing fees	3,119	(538)	4,851	2,245
Management fees	15,000	15,000	30,000	30,000
Office services, and supplies	15,412	3,872	27,762	5,788
Office rent	3,543	5,108	7,086	3,420
Salaries and benefits	27,069	22,658	46,853	35,672
Trade show	115	-	6,679	-
Telephone	1,548	-	1,909	-
Travel and accommodation	866	5,322	5,040	5,322
Transfer agent	1,192	1,053	2,079	1,253
	(176,144)	(122,639)	(280,968)	(154,990)
Interest income	244	423	1,017	433
Recovery of costs	972	-	2,560	-
Loss before other items:	(174,318)	(122,171)	(272,874)	(154,557)
Gain on sale of mineral property	-	234,969	-	234,969
Net (loss) gain for the period	(174,318)	116,228	(272,874)	86,227
Deficit, beginning of period	(11,784,668)	(11,786,264)	(11,686,112)	(11,756,263)
Deficit, end of period	(11,958,986)	(11,670,036)	(11,958,986)	(11,670,036)
Basic and diluted loss per share	\$(0.01)	\$0.00	\$(0.02)	\$0.00

See Accompanying Notes to the Consolidated Financial Statements

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

	3 Months August 31		6 Months August 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>CASH PROVIDED BY (USED IN)</b>				
Operating Activities:				
Gain (Loss) for the period	(174,318)	116,228	(272,874)	86,227
Expenses (recoveries) not involving current outlay of cash:				
Stock based compensation	77,800	-	77,800	-
Gain on sale of mineral property	-	(234,969)	-	(234,969)
Depreciation	321	-	641	-
	(96,197)	(118,741)	(194,433)	(148,742)
<i>Changes in non-cash working capital items:</i>				
Accounts receivable	(16,612)	(10,602)	(39,392)	(8,765)
Due to related parties	(101,542)	(18,885)	62,308	(14,752)
Accounts payable and accrued liabilities	(64,742)	(10,524)	(76,055)	1,225
	(279,093)	(158,752)	(247,572)	(171,034)
Financing activities:				
Sale of mineral property	-	342,928	-	342,928
Issuance of shares for cash, net of costs	423,450	-	582,350	-
	423,450	342,928	582,350	342,928
Investing Activities				
Investment in and expenditures on resource properties	(556,477)	(149,250)	(789,315)	(160,765)
Purchase of Mining equipment	(1,690)	-	(1,690)	-
Purchase of reclamation bond	-	(5,000)	-	(5,000)
	(558,167)	(154,250)	(791,005)	(165,765)
Increase (decrease) in cash	(413,810)	29,926	(456,227)	16,129
Cash, beginning of period	416,672	522	459,089	14,319
Cash, end of period	2,862	30,448	2,862	30,448

See Note 7 – Non-cash transactions

See Accompanying Notes to the Consolidated Financial Statements

**1. Nature and Continuance of Operations**

The Company was incorporated on March 6, 1978 under the laws of British Columbia and its common shares are publicly traded on the TSX Venture Exchange.

The Company is in the development stage and is in the process of exploring its resource properties and has not determined whether these properties contain reserves, which are economically recoverable. The recoverability of amounts shown for resource property costs is dependent upon the discovery of economically recoverable reserves and the ability to obtain the necessary financing to complete their exploration and development.

These consolidated financial statements have been prepared on a going concern basis, which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. The Company has working capital deficiency of \$104,733 at August 31, 2004 and has accumulated losses of \$11,958,986 since incorporation. The Company's ability to meet its obligations and maintain its operations is contingent upon additional financing or profitable operations in the future. No assurances can be given that the company will be able to continue as a going concern. These consolidated financial statements do not include any adjustments that might be necessary if the Company were unable to continue operations.

**2. Comparative Figures**

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

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

August 31, 2004

Page 2

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**3. Resource Properties**

	<b>Balance February 29, 2004</b>	<b>Additions In the period</b>	<b>Balance August 31, 2004</b>
Northstar-Kaza Properties, British Columbia			
Acquisition costs	<u>50,000</u>	<u>25,000</u>	75,000
Deferred exploration	366,684		366,684
Accommodations		16,438	
Administration		10,554	
Assays		21,045	
Camp construction		237,845	
Core samples		10,970	
Equipment rental		37,628	
Equipment repair		81,917	
First Aid		6,368	
Fuel		18,978	
Geological consulting		38,510	
Geophysical		84,251	
Meals		25,474	
Mobilization and demobilization		10,803	
Taxes and assessments		(290)	
Roads and pads		75,628	
Salaries		5,126	
Staking and recording		10,935	
Surface drilling		<u>89,120</u>	
		781,300	781,300
Less: Government grant		(6,985)	(6,985)
Total	<u>\$ 416,684</u>	<u>\$ 799,315</u>	<u>\$1,215,999</u>

Northstar - Kaza properties, British Columbia

During the period the Company paid \$15,000 and issued 100,000 common shares at a deemed value of \$10,000.

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 tranches 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 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.

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

August 31, 2004

Page 3

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**3. Resource Properties, continued**

Northstar - Kaza properties, British Columbia

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.

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 August 31, 2004, the Company realized revenue from the oil and gas holdings of \$4,517. 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**

	Net Value February 29, 2004	Changes in the Period		Net Value August 31, 2004
		Additions	Accumulated Depreciation	
Equipment	\$ 6,412	\$ 1,690	\$ (641)	\$ 7,461

**5. Share Capital**

- a) Authorized 100,000,000 common shares without par value  
b) Issued:

	Number of shares	\$ Amount
Balance, February 29, 2004	10,131,123	\$12,412,563
Issued for property acquisition	100,000	10,000
Issued for cash	3,972,333	595,850
Less: cost of issuance	-	(13,500)
Balance, August 31, 2004	14,203,456	\$13,004,913

- c) Private Placements

During the period the Company completed the following private placements:

- i) 1,059,333 units at a price of \$0.15 per unit, each unit consisted of one tax flow through common share and ½ of one non-transferable share purchase warrant, every one whole warrant entitling the holder to purchase an additional common share of the Company at an exercise price of \$0.20 per share expiring February 6, 2005;
- ii) 2,333,000 units at a price of \$0.15 per unit, each unit consisted of one common share and ½ of one non-transferable share purchase warrant, every one whole warrant

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

August 31, 2004

Page 4

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**5. Share Capital, continued**

## c) Private Placements

entitling the holder to purchase an additional common share of the Company at a price of \$0.20 per share expiring August 5, 2005. In connection with this placement, as a finder fee, the Company paid \$13,500 and granted Agent's Options for the purchase of up to 225,000 units at a price of \$0.15 expiring August 5, 2006. The warrants to be issued upon the exercise of the Option will contain the same terms and conditions as those issued under the private placement; and

- iii) 580,000 units at a price of \$0.15 per unit, each unit consisted of one common share and ½ of one non-transferable share purchase warrant, every one whole warrant entitling the holder to purchase an additional common share of the Company at a price of \$0.20 per share expiring August 30, 2005.

## d) Share purchase options

The continuity of the Company's share purchase options for the six months ended August 31, 2004 are as follows:

Exercise Price	Expiry Date	Balance February 29, 2004	Changes in the Period			Balance August 31, 2004
			Granted	Exercised	Expired/ Cancelled	
\$0.20	February 6, 2006	109,200*	-	-	-	109,200
\$0.14	October 20, 2006	720,456	-	-	(120,456)	600,000
\$0.15	August 5, 2009	-	225,000**	-	-	225,000
\$0.20	June 23, 2007	-	508,589	-	-	508,589
		829,656	733,589	-	(120,456)	1,442,789

\*Agent Options to purchase units, each unit consisting of one common share and ½ a share purchase warrant exercisable at a price of \$0.20 per share expiring February 6, 2006.

\*\*Agent Options to purchase units, each unit consisting of one common share and ½ a share purchase warrant exercisable at a price of \$0.15 per share expiring August 5, 2006

During the period the Company granted fixed share purchase options to directors, officers, employees and consultants of the Company for the purchase of up to 508,589 common shares at an exercise price of \$0.15 per share, expiring June 23, 2007 and 225,000 Agent Options at an exercise price of \$0.20 per share.

The Company accounts for stock option grants using the fair value method by a charge against income at the time of grant. At August 31, 2004 the Company recorded stock based compensation expense totaling \$77,800.

The fair value of the share purchase options was estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest of 3.09%, dividend yield of 0%, volatility factor of 149% and an 'expected life' value of two years.

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

August 31, 2004

Page 5

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**5. Share Capital, continued**

## e) Stock purchase warrants

The continuity of the Company's share purchase warrants for the six months ended August 31, 2004 are as follows:

Exercise Price	Expiry Date	Balance February 29, 2004	Changes in the Period			Balance August 31, 2004
			Granted	Exercised	Expired/ Cancelled	
\$0.30	November 1, 2004	216,000*	-	-	216,000	
\$0.30	November 1, 2004	216,000	-	-	216,000	
\$0.15	November 1, 2004	97,200	-	-	97,200	
\$0.30	December 16, 2004	158,000*	-	-	158,000	
\$0.30	December 16, 2004	158,000	-	-	158,000	
\$0.15	December 16, 2004	71,100	-	-	71,100	
\$0.20	February 6, 2005	924,834*	-	-	924,833	
\$0.20	February 6, 2005	37,500	-	-	37,500	
\$0.20	June 7, 2005	-	529,667*	-	529,667	
\$0.20	August 30, 2005	-	290,000	-	290,000	
\$0.20	August 5, 2005	-	1,166,500*	-	1,166,500	
\$0.20	August 5, 2006	-	112,500	-	112,500	
		1,720,634	2,098,667	-	3,977,300	

\* tax-flow through shares will be issued upon exercise.

**6. Related Party Transactions**

a) During the six months ended August 31, 2004 the Company was charged the following amounts by directors of the Company or by companies with a common director:

Consulting fees	\$ 30,000
Management fees	30,000
Resource property costs	532,472
Rent	7,086
Salaries and benefits	10,242
	<hr/>
	\$609,800

These expenditures were measured by the exchange amount which is the amount agreed upon by the transaction parties.

b) At August 31, 2004 due to related parties consisted of amounts due to a director and companies with common directors.

**7. Non-Cash Transactions (Note 3)**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the Statement of Cash Flows. During the period the Company issued 100,000 shares at a deemed value of \$10,000 for a resource property. This transaction has been excluded from the Statement of Cash Flows.

**8. Subsequent Events**

On September 23, 2004 the Company announced a non-brokered private placement of up to 2,500,000 units at the price of \$0.20 per unit. Each unit will consist of one common share and  $\frac{1}{2}$  of one non-transferable share purchase warrant, every one whole warrant entitling the holder to purchase an addition common share of the Company for a period of one year from closing at the exercise price of \$0.30 per share. A percentage of the number of units sold will be for flow-through shares and non flow-through warrants. All units sold will contain the same terms whether consisting of flow-through or non-flow-through shares. On October 21, 2004 the Company issued the first tranche of 750,000 units under the terms of the placement and paid a finder fees of 6% of the proceeds.

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

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The following discussion and analysis of the operations, results, and financial position of the Company for the 2<sup>nd</sup> quarter ended August 31, 2004 should be read in conjunction with the August 31, 2004 unaudited Financial Statements and the related Notes. The effective date of this report is October 29, 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 activity is the exploration and development of mineral properties.

**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 second quarter ended August 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 project consists of two project areas, the Kaza and Northstar, spaced 15 kilometres apart, contained within a single contiguous 2,800-hectare 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 \$15,000, issue 400,000 common shares and 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.

The 2004 diamond drilling program at Northern Hemisphere's Kaza-Northstar Project commenced in the previous 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 "skam" 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.

### *Results of Operation – Year to Date*

In the six-month period ended August 31, 2004 current assets declined by \$416,835 while capital assets increased by \$800,364 and current liabilities decreased by \$13,747.

In connection with the Kaza and Northstar properties the Company incurred \$781,300 in exploration and development costs and made property option payments of \$15,000 and issued 100,000 common shares at a deemed value of \$10,000. Office equipment was purchased at a cost of \$1,690 and accounts receivable increased by \$39,329 relating in part to goods and services tax recovery. The Company paid down current accounts payable by \$76,055. Share Capital increased from \$12,412,563 to \$13,004,913, net of share issuance costs, on the issuance of 4,072,333 common shares in connection with three separate private placements and property option payment resulting in the issued share capital increasing from 10,131,123 to 14,203,456 common shares without par value.

The Company recorded losses of \$272,874 for the six months ended August 31, 2004. The loss included amortization of assets of \$641 and a charge to operations of \$77,800 for the fair value of 508,589 share purchase options granted to directors, officers, employees and consultants of the Company at an exercise price of \$0.15 per share and 225,000 agent options at an exercise price of \$0.20 per share. There were no write-downs or write-offs during the period. Auditing fees increased by \$13,066 when compared to the same period in 2003 as a result a quarterly accrual for the 2005 audit fees. Salaries have increased from \$35,672 in 2003 to \$46,853 this period. The increase is a result of an increase in salaried employees. Office services and supplies has increased from \$5,788 to \$27,762 as a result of an increase in administrative consultants. Tradeshows and shareholder communications increased from \$17,384 to \$28,512. Included in the Shareholder Communication expense are costs such as web-site update and maintenance, annual general meeting materials and distribution of promotional materials. The Company took a more aggressive approach to investor awareness this period compared to the corresponding period including increasing the Company's participation in trade shows.

## Summary of Quarterly Results

Period ended	2004			2003				2002
	Aug. 31 Q2	May 31 Q1	Feb. 29 Q4	Nov. 30 Q3	Aug. 31 Q2	May 31 Q1	Feb. 28 Q4	Nov. 30 Q3
Total Revenue	4,517	3,936	11,815	2,584	3,430	2,787	4,803	4,116
Income (loss) before extraordinary items	(272,874)	(92,373)	(144,016)	(85,937)	(116,228)	(61,075)	(98,230)	(77,948)
Basic per Share	(0.02)	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Diluted Per Share	(0.02)	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Net Income (loss)	(272,874)	(92,373)	15,801	274	116,228	61,075	92,706	(73,810)
Basic per Share	(0.02)	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)
Diluted per Share	(0.02)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)

### Results of Operations – three months ended August 31, 2004

In the three months ended August 31, 2004 the Company recorded losses of \$174,318 compared to \$92,373 in the preceding quarter ended May 31, 2004. The loss for the quarter included stock based compensation of \$77,800 and amortization of \$321 compared to \$Nil and \$321 respectively in the preceding quarter. Administrative and other costs during the quarter were \$96,518 compared to \$92,373 in the preceding quarter. In the quarter the Company accrued \$6,000 for the 2004 audit resulting in part to the audit and accounting fees expense increasing from \$3,210 in the preceding quarter to \$14,890 this quarter. Shareholder communications expense has declined when compared to the preceding quarter from \$28,107 to \$289. During financing periods, such as the last quarter, a more aggressive approach is taken to investor awareness. Salary expense increased this quarter from \$14,384 to \$27,069 in the preceding quarter. The increase is a result of an increase in administrative staff.

### Share Capital Structure

Authorized: 100,000,000 common shares without par value

Issued: 14,203,456

The continuity of the Company's share purchase options for the six months ended August 31, 2004 are as follows:

Exercise Price	Expiry Date	Balance February 29, 2004	Changes in the Period			Balance August 31, 2004
			Granted	Exercised	Expired/Cancelled	
\$0.20	February 6, 2006	109,200*	-	-	-	109,200
\$0.14	October 20, 2006	720,456	-	-	(120,456)	600,000
\$0.15	August 5, 2009	-	225,000**	-	-	225,000
\$0.20	June 23, 2007	-	508,589	-	-	508,589
		829,656	733,589	-	(120,456)	1,442,789

The continuity of the Company's share purchase warrants for the six months ended August 31, 2004 are as follows:

Exercise Price	Expiry Date	Balance February 29, 2004	Changes in the Period			Balance August 31, 2004
			Granted	Exercised	Expired/ Cancelled	
\$0.30	November 1, 2004	216,000*	-	-	-	216,000
\$0.30	November 1, 2004	216,000	-	-	-	216,000
\$0.15	November 1, 2004	97,200	-	-	-	97,200
\$0.30	December 16, 2004	158,000*	-	-	-	158,000
\$0.30	December 16, 2004	158,000	-	-	-	158,000
\$0.15	December 16, 2004	71,100	-	-	-	71,100
\$0.20	February 6, 2005	924,834*	-	-	-	924,833
\$0.20	February 6, 2005	37,500	-	-	-	37,500
\$0.20	June 7, 2005	-	529,667*	-	-	529,667
\$0.20	August 30, 2005	-	290,000	-	-	290,000
\$0.20	August 5, 2005	-	1,166,500*	-	-	1,166,500
\$0.20	August 5, 2006	-	112,500	-	-	112,500
		1,720,634	2,098,667	-	-	3,977,300

\* tax-flow through shares will be issued upon exercise.

### 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 deficiency of \$104,733 at August 31, 2004. The Company will require additional 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 six months ended August 31, 2004 the Company was charged the following amounts by directors of the Company or by companies with a common director:

Consulting fees	\$ 30,000
Management fees	30,000
Resource property costs	532,472
Rent	7,086
Salaries and benefits	10,242
	<u>\$609,800</u>

These expenditures were measured by the exchange amount which is the amount agreed upon by the transaction parties.

### 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, amounts receivable, accounts payable and accrued liabilities 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 most recent year-to-date interim period and the comparative period presented in the interim financial statement:

Expressed in Cdn \$

	6 months Ended August 31, 2004	Year ended February 29, 2004
Capitalized exploration and development costs	799,315	322,275
Expensed exploration and development costs	-	-
Deferred development costs	-	-
Administration and other costs	280,968	350,684
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](http://www.sedar.com).