

Consolidated Financial Statements
(Expressed in Canadian Dollars)

**NORTHERN HEMISPHERE
DEVELOPMENT CORP.**

For the nine months ended November 30, 2004

The accompanying Financial Statement for the nine months ended November 30, 2004 and 2003 have not been reviewed or audited by the Company's Auditors.

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

ASSETS

	November 30, 2004	February 28, 2004
	\$	\$
Current assets		
Cash and term deposits	51,323	459,089
Accounts receivable	38,636	25,708
	<u>89,959</u>	<u>484,797</u>
Reclamation bond	5,000	5,000
Property and Equipment (Note 4)	9,813	6,412
Resource Properties (Note 3)	1,505,951	416,684
	<u>1,610,723</u>	<u>912,893</u>

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	52,587	155,711
Due to related parties	342,371	30,731
	<u>394,958</u>	<u>186,442</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 5)	13,172,179	12,412,563
Contributed surplus (Note 5)	77,800	-
Deficit	(12,034,214)	(11,686,112)
	<u>1,215,765</u>	<u>726,451</u>
	<u>1,610,723</u>	<u>912,893</u>

On Behalf of the Board

Signed:

“J. Frank Callaghan”, Director

“H. K. (Ken) Maddison”, 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		9 Months	
	November 30		November 30	
	2004	2003	2004	2003
	\$	\$	\$	\$
Income:				
Oil and gas revenue, net of cost	2,544	(2,584)	7,061	3,231
Expenses:				
Amortization	447	-	1,088	-
Auto expense	127	1,220	536	5,762
Audit and accounting	6,175	1,100	23,775	5,634
Consulting fees	15,000	15,000	45,000	45,000
Shareholder communications and advertising	5,535	17,267	27,368	38,151
Stock based compensation	-	-	77,800	-
Legal fees	(426)	352	-	15,344
Listing and filing fees	3,558	2,771	8,409	5,016
Management fees	15,000	15,000	45,000	45,000
Office services, and supplies	8,623	5,310	36,385	10,882
Office rent	3,543	1,160	10,629	4,586
Salaries and benefits	11,310	13,686	58,163	49,350
Trade show	-	-	6,679	-
Telephone	2,099	-	4,008	-
Travel and accommodation	768	6,338	5,808	10,075
Transfer agent	5,460	3,234	7,539	4,487
	(77,219)	(122,639)	(358,187)	(241,126)
Interest income	131	423	1,148	492
Recovery of costs	(684)	-	1,876	-
Loss before other items:	(75,228)	(122,171)	(348,102)	(237,403)
Gain on sale of mineral property	-	9,567	-	240,841
Gain on sale of marketable securities	-	78,621	-	78,621
Net (loss) gain for the period	(75,228)	274	(348,102)	85,743
Deficit, beginning of period	(11,958,986)	(11,670,585)	(11,686,112)	(11,756,064)
Deficit, end of period	(12,034,214)	(11,670,311)	(12,034,214)	(11,670,311)
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 November 30		9 Months November 30	
	2004	2003	2004	2003
	\$	\$	\$	\$
CASH PROVIDED BY (USED IN)				
Operating Activities:				
Gain (Loss) for the period	(75,228)	274	(348,102)	85,753
Expenses (recoveries) not involving current outlay of cash:				
Stock based compensation	-	-	77,800	-
Gain on sale of mineral property	-	-	-	(234,969)
Depreciation	447	-	1,088	-
	(74,781)	274	(269,214)	(149,216)
<i>Changes in non-cash working capital items:</i>				
Prepaid expense	-	(5,000)	-	(5,000)
Accounts receivable	26,464	249	(12,928)	(8,308)
Due to related parties	249,332	53,699	311,640	40,892
Accounts payable and accrued liabilities	(27,069)	(8,108)	(103,124)	(8,828)
	173,946	(40,566)	(73,626)	(130,459)
Financing activities:				
Issuance of shares for cash, net of costs	167,266	-	749,616	-
				-
	167,266		749,616	
Investing Activities				
Sale of Marketable Securities	-	170,500	-	170,500
Sale of resource property	-	(1)	-	342,927
Investment in and expenditures on resource properties	(289,952)	(130,008)	(1,079,267)	(280,782)
Purchase of Property and Equipment	(2,799)	(6,870)	(4,489)	(6,870)
Purchase of reclamation bond	-	-	-	(5,000)
	(292,751)	33,620	(1,083,756)	(210,774)
Increase (decrease) in cash	48,461	74,186	(407,766)	90,315
Cash, beginning of period	2,862	30,448	459,089	14,319
Cash, end of period	51,323	104,634	51,323	104,634

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 \$304,999 at November 30, 2004 and has accumulated losses of \$12,034,214 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.

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

November 30, 2004

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3. Resource Properties

	Balance February 29, 2004	Additions In the period	Balance November 30, 2004
Northstar-Kaza Properties, British Columbia			
Acquisition costs	<u>50,000</u>	<u>25,000</u>	75,000
Deferred exploration	366,684		366,684
Accommodations		20,476	
Administration		23,214	
Assays		32,275	
Camp construction		266,359	
Core samples		16,698	
Equipment rental		61,720	
Equipment repair		120,082	
First Aid		18,199	
Fuel		25,966	
Geological consulting		38,510	
Geophysical		101,840	
Meals		35,086	
Mobilization and demobilization		13,648	
Taxes and assessments		1,659	
Roads and pads		103,369	
Salaries		14,811	
Staking and recording		30,223	
Surface drilling		<u>127,117</u>	
		1,051,252	1,051,252
Less: Government grant		(6,985)	(6,985)
Total	<u>\$ 416,684</u>	<u>\$ 1,069,267</u>	<u>\$1,485,951</u>
Oil and Gas property			
British Columbia	-	20,000	20,000
Total	<u>\$ 416,684</u>	<u>\$ 1,089,267</u>	<u>\$ 1,505,951</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.

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

November 30, 2004

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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.

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 Property, British Columbia

The Company has required a right of first refusal to participate in a 17.5% working interest in the drilling of a natural gas test well located in north-eastern British Columbia. Subsequent to the period end the Company executed a participation agreement and paid \$ 1,425,000 to earn it's 17.5%.

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

	Changes in the Period			Net Value November 30, 2004
	Net Value February 29, 2004	Additions	Accumulated Depreciation	
Equipment	\$ 6,412	\$ 4,489	\$ (1,088)	\$ 9,813

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

November 30, 2004

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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	4,939,533	784,430
Less: cost of issuance	-	(19,500)
Balance, November 30, 2004	15,170,656	\$13,172,179

c) Share purchase options

The continuity of the Company's share purchase options for the nine months ended November 30, 2004 are as follows:

Exercise Price	Expiry Date	Balance February 29, 2004	Changes in the Period			Balance November 30, 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 November 30, 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.

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

November 30, 2004

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5. Share Capital, continued

d) Stock purchase warrants

The continuity of the Company's share purchase warrants for the nine months ended November 30, 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
\$0.15	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 5, 2005	-	1,461,500	-	-	1,461,500
\$0.30	October 22, 2005	-	350,000	-	-	350,000
\$0.30	November 10, 2005	-	60,000	-	-	60,000
\$0.20	August 5, 2006	-	112,500	-	-	112,500
		1,720,634	2,513,667	(97,200)	(432,000)	3,705,101

6. Related Party Transactions

a) During the nine months ended November 30, 2004 the Company was charged the following amounts by directors of the Company or by companies with a common director:

Consulting fees	\$ 45,000
Management fees	45,000
Resource property costs	760,928
Rent	10,629
Salaries and benefits	13,612
	<hr/>
	\$875,169

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

b) At November 30, 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

Subsequent to November 30, 2004 the Company:

- i. Granted to directors, offices, employees and consultants 1,164,772 incentive stock options. Each option allows the holder thereof to purchase one common share of the Company for \$0.33 per share. These options expire on January 18, 2008.
- ii. Granted to directors, offices, employees and consultants 398,020 incentive stock options. Each option allows the holder thereof to purchase one common share of the Company for \$0.20 per share. These options expire on December 9, 2007.
- iii. Announced a non-brokered private placement of 2,241,075 units at \$1.00 per unit, each unit consists of either four non-flow-through shares and one warrant exercisable at \$0.35 for one year or three flow-through shares and one non-flow-through share and one warrant exercisable at \$0.35 for one year. The Company received \$2,241,075 pursuant to this private placement.
- iv. Announced a private placement of 5,000,000 units at \$0.20 per unit. Each unit consists of one share and one non-transferable share purchase warrant exercisable at \$0.35 per share expiring December 24, 2005, 3,925,000 of these units are flow through. The Company received \$1,000,000 pursuant to this private placement.
- v. Announced a non-brokered private placement of 300,000 units at \$1.00 per unit. Each unit consists of four flow-through share purchase warrant. Each warrant is exercisable at \$ 0.35 for a period of one year.

NORTHERN HEMISPHERE DEVELOPMENT CORP.
Form 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the third quarter ended November 30, 2004

The following discussion and analysis of the operations, results, and financial position of the Company for the 3rd quarter ended November 30, 2004 should be read in conjunction with the November 30, 2004 unaudited Financial Statements and the related Notes. The effective date of this report is January 29, 2005.

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 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 as well as a newly acquired oil and gas property in North-eastern British Columbia.

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 US 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 third quarter ended November 30, 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 “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.

British Columbia Oil and Gas Property

At November 30, 2004 the Company had acquired a right of first refusal to acquire a 17.5% working interest in the drilling of a natural gas well in Northeastern British Columbia. Subsequent to the quarter end the Company executed a participation agreement and paid \$ 1,425,000 to earn its 17.5% interest. Since the quarter end the Company’s main focus has been on this oil and gas prospect.

Results of Operation – Year to Date

In the nine-month period ended November 30, 2004 current assets declined by \$394,838 while capital assets increased by \$1,092,668 and current liabilities increased by \$208,516.

In connection with the Kaza and Northstar properties the Company incurred \$1,054,267 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 \$4,489 and accounts receivable increased by \$12,928 relating in part to goods and services tax recovery. The Company paid down current accounts payable by \$103,124. Share Capital increased from \$12,412,563 to \$13,172,179, net of share issuance costs, on the issuance of 5,039,533 common shares in connection with four separate private placements, property option payment and warrant exercises resulting in the issued share capital increasing from 10,131,123 to 15,170,656 common shares without par value.

The Company recorded losses of \$348,102 for the nine months ended November 30, 2004. The loss included amortization of assets of \$1,088 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 and accounting fees increased by \$18,141 when compared to the same period in 2003 as a result a quarterly accrual for the 2005 audit fees. Salaries have increased from \$49,350 in 2003 to \$58,163 this period. The increase is a result of an increase in salaried employees. Office services and supplies has increased from \$10,882 to \$36,385 as a result of an increase in administrative consultants. Tradeshows and shareholder communications decreased from \$38,151 to \$34,047. Included in the Shareholder Communication expense are costs such as web-site update and maintenance, annual general meeting materials and distribution of promotional materials.

Summary of Quarterly Results

Period ended	2004				2003			
	Nov. 30 Q3	Aug. 31 Q2	May 31 Q1	Feb. 29 Q4	Nov. 30 Q3	Aug. 31 Q2	May 31 Q1	Feb. 28 Q4
Total Revenue	2,544	610	3,936	11,815	2,584	3,430	2,787	4,803
Income (loss) before extraordinary items	(75,228)	(174,318)	(92,373)	(144,016)	(85,937)	(116,228)	(61,075)	(98,230)
Basic per Share	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)
Diluted Per Share	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)
Net Income (loss)	(75,228)	(174,318)	(92,373)	15,801	274	116,228	61,075	92,706
Basic per Share	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)	(0.01)
Diluted per Share	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)

Results of Operations – three months ended November 30, 2004

In the three months ended November 30, 2004 the Company recorded losses of \$75,228 compared to \$174,318 in the preceding quarter ended August 31, 2004. The loss for the quarter declined by \$99,090 as compared to the prior quarter mainly due to a \$77,000 compensation charge at August 2004. Administrative and other costs during the quarter were relatively constant as compared to the preceding quarter.

Share Capital Structure

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

Issued: 15,170,656

The continuity of the Company's share purchase options for the nine months ended November 30, 2004 are as follows:

Exercise Price	Expiry Date	Balance February 29, 2004	Changes in the Period			Balance November 30, 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 nine months ended November 30, 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
\$0.15	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 5, 2005		1,461,500	-	-	1,461,500
\$0.30	October 22, 2005		350,000	-	-	350,000
\$0.30	November 10, 2005		60,000	-	-	60,000
\$0.20	August 5, 2006		112,500	-	-	112,500
		1,720,634	2,513,667	(97,200)	(432,000)	3,705,101

Liquidity and Capital Resources

Historically, the Company has raised funds through equity financing and the exercise of warrants to fund its operations. The Company has working capital deficiency of \$304,999 at November 30, 2004. The Company will require additional funding to finance corporate and administrative expenses and ongoing exploration on the Company's mineral and oil and gas properties in the near future.

Subsequent to November 30, 2004 the Company:

- i. Announced a non-brokered private placement of 2,241,075 units at \$1.00 per unit, each unit consists of either four non-flow-through shares and one warrant exercisable at \$0.35 for one year or three flow-through shares and one non-flow-through share and one warrant exercisable at \$0.35 for one year. The Company received \$2,241,075 pursuant to this private placement.
- ii. Announced a private placement of 5,000,000 units at \$ 0.20 per unit. Each unit consists of one share and one non-transferable share purchase warrant exercisable at \$0.35 per share expiring December 24, 2005, 3,925,000 of these units are flow through. The Company received \$1,000,000 pursuant to this private placement.
- iii. announced a non-brokered private placement of 300,000 units at \$1.00per unit. Each unit consists of four flow-through share purchase warrant. Each warrant is exercisable at \$0.35 for a period of one year.

Related Party Transactions

During the nine months ended November 30, 2004 the Company was charged the following amounts by directors of the Company or by companies with a common director:

Consulting fees	\$ 45,000
Management fees	45,000
Resource property costs	760,928
Rent	10,629
Salaries and benefits	13,612
	<hr/>
	\$875,169

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 \$

	9 months Ended November 30, 2004	Year ended February 29, 2004
Capitalized exploration and development costs	1,089,267	322,275
Expensed exploration and development costs	-	-
Deferred development costs	-	-
Administration and other costs	355,163	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.