

Consolidated Financial Statements  
(Expressed in Canadian Dollars)

**NORTHERN HEMISPHERE  
DEVELOPMENT CORP.**

For the six months ended August 31, 2005

The accompanying Financial Statement for the six months ended August 31, 2005 and 2004 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, 2005	February 28, 2005
	\$	\$
Current assets		
Cash	1,736,147	1,560,449
Accounts receivable and prepaid expenses	73,777	55,157
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Due from related parties (Note 6)	1,809,924	1,615,606
Reclamation bond	176,924	157,227
Property and Equipment (Note 4)	10,000	5,000
Resource Properties (Note 3)	21,470	19,177
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	4,331,479	3,474,706
	<hr/>	<hr/>
	6,349,797	5,271,716

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	70,166	108,238
Due to related parties (Note 6)	10,528	5,174
	<hr/>	<hr/>
	80,694	113,412

SHAREHOLDERS' EQUITY

Capital stock (Note 5)	17,595,952	16,187,216
Contributed surplus	3,271,656	1,020,562
Deficit	(14,598,505)	(12,049,474)
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	6,269,103	5,158,304
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	6,349,797	5,271,716

On Behalf of the Board

Signed:

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"J. Frank Callaghan", Director

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"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)**

	Three Months Ended August 31		Six Months Ended August 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Income:</b>				
Oil and gas revenue, net of cost	-	610	3,417	4,517
<b>Expenses:</b>				
Amortization	1,054	321	2,107	641
Auto expense	-	160	-	409
Audit and accounting	1,915	14,390	5,642	17,600
Consulting fees (Note 6)	23,328	15,000	65,123	30,000
Insurance	11,457	-	11,457	-
Shareholder communications and advertising	8,675	289	35,205	21,833
Stock-based compensation	-	77,800	2,251,094	77,800
Legal fees	7,748	320	13,333	426
Listing and filing fees	5,352	3,119	5,987	4,851
Management fees (Note 6)	15,000	15,000	30,000	30,000
Office services, and supplies	13,702	15,412	22,160	27,762
Office rent (Note 6)	4,619	3,543	15,446	7,086
Salaries and benefits (Note 6)	26,337	27,069	78,650	46,853
Trade show	(3,601)	115	1,041	6,679
Telephone	2,607	1,548	4,131	1,909
Travel and accommodation	1,327	866	3,818	5,040
Transfer agent	6,599	1,192	13,783	2,079
	(126,119)	(176,144)	(2,558,977)	(280,968)
Interest income	3,499	244	6,529	1,017
Recovery of costs	-	972	-	2,560
Net (loss) gain for the period	(122,620)	(174,318)	(2,549,031)	(272,874)
Deficit, beginning of period	(14,475,885)	(11,784,668)	(12,049,474)	(11,686,112)
Deficit, end of period	(14,598,505)	(11,958,986)	(14,598,505)	(11,958,986)
Basic and diluted loss per share	\$0.00	(\$0.01)	(\$0.06)	(\$0.02)

See Accompanying Notes to the Consolidated Financial Statements

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

	Three Months Ended May 31		Six Months Ended August 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>CASH PROVIDED BY (USED IN)</b>				
Operating Activities:				
Gain (Loss) for the period	(122,620)	(174,318)	(2,549,031)	(272,874)
Expenses (recoveries) not involving current outlay of cash:				
Stock-based compensation	-	77,800	2,251,094	77,800
Amortization	1,054	321	2,107	641
	(121,566)	(96,197)	(295,830)	(194,433)
<i>Changes in non-cash working capital items:</i>				
Accounts receivable and prepaid expenses	(34,554)	(16,612)	(18,620)	(39,392)
Due to related parties	3,009	(101,542)	5,354	62,308
Accounts payable and accrued liabilities	(25,161)	(64,742)	(38,072)	(76,055)
	(178,272)	(279,093)	(347,168)	(247,572)
Financing activities:				
Due from related parties	46,476	-	(19,697)	-
Issuance of shares for cash, net of costs	363,678	423,450	1,338,736	582,350
	410,154	423,450	1,319,039	582,350
Investing Activities				
Investment in and expenditures on resource properties	(433,870)	(556,477)	(786,773)	(789,315)
Purchase of Property and Equipment	-	(1,690)	(4,400)	(1,690)
Purchase of reclamation bond	-	-	(5,000)	-
	(433,870)	(558,167)	(796,173)	(791,005)
Increase (decrease) in cash	(201,988)	(413,810)	175,698	(456,227)
Cash, beginning of period	1,938,135	416,672	1,560,449	459,089
Cash, end of period	1,736,147	2,862	1,736,147	2,862

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 a working capital surplus of \$1,729,230 at August 31, 2005 and has accumulated losses of \$14,598,505 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 periods 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, 2005

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**3. Resource Properties**

	Northstar-Kaza Properties, British Columbia	Oil and Gas Wells, Alberta	Oil and Gas Wells, British Columbia	Total
<b>Balance, February 28, 2005</b>	\$ 1,540,194	\$ -	\$ 1,934,512	\$ 3,474,706
<b>Acquisition Cost</b>	93,000	379,923	-	472,923
<b>Exploration Expenditures</b>				
Administration	15,403	-	1,951	17,354
Geographical consulting	76,286	-	35,919	112,205
Drilling and camp cost	254,291	-	-	254,291
	345,980	-	37,870	383,850
	438,980	379,923	37,870	856,773
<b>Balance, August 31, 2005</b>	\$ 1,979,174	\$ 379,923	\$ 1,972,382	\$ 4,331,479

Northstar - Kaza properties, British Columbia

During the period the Company paid \$15,000 and issued 100,000 common shares at a deemed value of \$70,000.

Pursuant to an option agreement dated March 13, 2002, the Company is required to pay an additional \$15,000 and issue a further 300,000 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.

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. These claims are in good standing until March 28, 2011.

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

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**Oil and Gas Property,  
British Columbia**

During the year ended February 28, 2005, the Company acquired a 17.5% working interest in 26 sections of land in Northeastern British Columbia. The Company paid \$1,425,000 cash for this interest and issued 900,000 shares at a deemed value of \$309,750. The Company also issued 200,000 shares at a deemed value of \$40,000 for finders fees and paid cash of \$87,500 also as a finders fee.

**Alberta  
Bulwark Property, Central Alberta**

The Company paid \$274,000 to acquire a 45% interest before payout and a 20% interest after payout. The Company has a further right to earn a 47.5% interest in a further four sections before payout and a 22.5% interest after payout.

**Goose Creek Property, West-Central Alberta**

The Company paid \$105,923 to acquire a 7.5% working interest before payout and a 4.5% interest after payout.

**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 period ended August 31, 2005, the Company realized revenue from the oil and gas holdings of \$3,417. 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 February 28, 2005	Additions	Accumulated Depreciation	Net Value August 31, 2005
Equipment	\$ 6,565	\$ -	\$ (895)	\$ 5,670
Computers	10,056	4,400	(1,084)	13,372
Furniture	2,556	-	(128)	2,428
	<u>\$ 19,177</u>	<u>\$ 4,400</u>	<u>\$ (2,107)</u>	<u>\$ 21,470</u>

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

August 31, 2005

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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 28, 2005	33,103,009	\$16,187,216
Issued for property acquisition	100,000	70,000
Issued for cash	5,150,284	1,338,736
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Balance, August 31, 2005	38,353,293	\$17,595,952

c) Share purchase options

The continuity of the Company's share purchase options for the six months ended August 31, 2005 are as follows:

Exercise Price	Expiry Date	Balance February 28, 2005	Changes in the Period			Balance August 31, 2005
			Granted	Exercised	Expired/ Cancelled	
\$0.20	December 9, 2007	522,020	-	(372,020)	-	150,000
\$0.14	October 21, 2006	420,456	-	(420,456)	-	-
\$0.33	January 18, 2008	1,164,772	-	(649,772)	(50,000)	465,000
\$0.15	June 23, 2007	393,589	-	(383,589)	-	10,000
\$0.40	January 31, 2008	602,080	-	(327,080)	(20,000)	255,000
\$0.73	March 17, 2008	-	235,283	(100,000)	-	135,283
\$1.15	March 22, 2008	-	2,197,109 <sup>(1)</sup>	-	-	2,197,109
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		3,102,917	2,432,392	(2,252,917)	(70,000)	3,212,392
Weighted average exercise price		\$0.28	\$1.11	\$0.25	\$0.32	\$0.90

(1) Subsequent to August 31, 2005 the price of these options was amended to \$0.69.

During the period the Company granted fixed share purchase options to directors and consultants of the Company for the purchase of up to 235,283 common shares at an exercise price of \$0.73 per share, expiring March 17, 2008 and 2,197,109 options at an exercise price of \$1.15 per share expiring March 22, 2008

The Company accounts for stock option grants using the fair value method by a charge against income at the time of grant. During the period the Company recorded stock based compensation expense totaling \$2,251,094.

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%, dividend yield of 0%, volatility factor of 149% and an 'expected life' value of three years.

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

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**5. Share Capital, continued**

## d) Stock purchase warrants

The continuity of the Company's share purchase warrants for the six months ended August 31, 2005 are as follows:

Exercise Price	Expiry Date	Balance February 28, 2005	Changes in the Period			Balance August 31, 2005
			Granted	Exercised	Expired/Cancelled	
\$0.30	December 24, 2005	4,975,000	-	(375,000)	-	4,600,000
\$0.35	December 30, 2005	1,091,500	-	(183,500)	-	908,000
\$0.35	January 21, 2006	1,178,575	-	(341,700)	-	836,875
\$0.35	January 10, 2006	106,000	-	(4,000)	-	102,000
\$0.20	August 30, 2005	290,000	-	(290,000)	-	-
\$0.20	June 7, 2005	211,667	-	(211,667)	-	-
\$0.20	August 5, 2005	1,242,000	-	(1,242,000)	-	-
\$0.30	October 22, 2005	350,000	-	(250,000)	-	100,000
\$0.30	November 10, 2005	60,000	-	(60,000)	-	-
\$0.35	December 30, 2005	280,000	-	-	-	280,000
		9,784,742	-	(2,957,867)	-	6,826,875

**6. Related Party Transactions**

a) During the six months ended August 31, 2005 the Company was charged the following amounts by directors of the Company or by companies with a common director:

Consulting fees	\$22,870
Management fees	30,000
Salaries and benefits	20,219
	<hr/>
	\$ 73,089

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

b) At August 31, 2005 due to/from 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 \$70,000 for a resource property. This transaction has been excluded from the Statement of Cash Flows.

**8. Subsequent Event**

Subsequent to August 31, 2005 the Company;

i) Granted incentive stock options to directors, officers, employees and consultants for 159,737 options with an exercise price of \$0.71 per share. These options expire September 31, 2008.

**NORTHERN HEMISPHERE DEVELOPMENT CORP.**

**Form 51-102F1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the six months ended August 31, 2005**

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The following discussion and analysis of the operations, results, and financial position of the Company for the six months ended August 31, 2005 should be read in conjunction with the August 31, 2005 Unaudited Financial Statements and the related Notes. The effective date of this report is October 28, 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 activities are the exploration and development of mineral and oil and gas properties. The Company is in the process of exploring and developing its resource properties and has not yet determined whether its resource properties contain reserves that are economically viable. The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves in both mineral and oil and gas, 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 oil and gas leases and upon future profitable production or sufficient proceeds from the disposition of its resource properties. The Company is continually investigating new exploration opportunities, and resource 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, stakes mineral claims or acquires exploration permits. In other cases the Company acquires interest in mineral and oil and gas properties from third parties. An acquisition from a third party for mineral properties 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. Acquisition of oil and gas properties is typically done through a participation agreement whereby the Company will pay a specific dollar amount to earn a specific 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. For oil and gas properties, once the wells have been drilled and if it is determined to be a dry hole or non-commercial, the Company will abandon the well and write off the associated costs.

The resource sector is high risk and most mineral exploration projects will not become mines. A greater chance exists for an oil and gas property to become a producer.

### **Current Operations**

During the six months ended August 31, 2005 the Company focused on the Northstar-Kaza property located in the Omineca Mining Division of British Columbia as well as several oil and gas projects.

#### **Kaza - Northstar**

During the summer of 2004 the Company conducted a diamond drilling program on the Kaza project area. The program consisted of five exploration style diamond drill holes for 3,533 feet (1076.9M) testing down-dip extension and structural controls of surface copper-silver-gold mineralization along the "Main Trend" and "Hornblendite Zones." The drill holes returned intercepts ranging from 0.086-0.229% of copper, 0.10-0.22 g/t of gold and silver ranging from 0.5-62.1 g/t.

The Northstar project area had intercepts of 0.55% copper and 1.6 g/t silver across 454 feet from Hole NS-04-02 and 0.51% copper and 1.2 g/t silver across 286 feet from Hole NS-04-04. This represented a newly recognized bulk-tonnage style setting of copper mineralization with the project area.

Subsequent to the quarter ended May 31, 2005 the Company commenced its 2005 ten hole drill program. This program is estimated to cost \$460,000. Results to date are as follows:

The Company identified several soil anomalies across the Henry Lee Creek project area within Northern Hemisphere's road-accessible Kaza-Northstar property northwest of Fort St. James, British Columbia, Canada. The June 2005 program focused on systematic soil sampling, with prospecting and geological mapping, centered on a diorite stock first identified during the 2004 exploration program.

Survey results identified a molybdenum anomaly, with a threshold value of 10 ppm Mo and values to 82 ppm Mo, covering the majority of an 800 by 400m area over the western portion of the surveyed area. Large portions of this anomaly are also anomalous in copper, gold and silver; the anomaly is open to the west in all four metals and to the north in molybdenum. The most pronounced portion of this anomaly occurs just northeast of the newly discovered "Crow Jane" outcrop showing, with copper-in-soil values to 900 ppm, gold values to 95 ppb and silver values to 1.7 ppm (1.7 g/t), all open to the west.

Two composite grab rock samples from the Crow Jane showing itself returned values of 1.05% copper with 15 ppm molybdenum, 450 ppb gold and 6.3 g/t silver, and 0.58% copper with 175 ppm molybdenum, 280 ppb gold and 3.0 ppm silver respectively. This showing, which occurs near a relative geochemical "low" point, is located roughly 400 metres west of the westernmost occurrences found in 2004.

Numerous other geochemical anomalies were identified from soil sampling. These include a coincident copper-molybdenum-gold-silver anomaly about 100 metres south of the large molybdenum anomaly, with values to 737 ppm copper, 16 ppm molybdenum, 125 ppb gold and 1.8 ppm silver. A separate anomaly about 400 metres to the east is centered on a value of 4562 ppm (0.456%) copper, 30 ppb gold, 4.5 ppm silver and 8 ppm molybdenum. This is located near a 2004 rock composite grab sample returning 0.306% copper and 8.4 ppm silver. Also, a soil sample along the eastern grid boundary returned a value of 385 ppb gold. Copper and silver anomalies are most abundant in the southern grid area; gold anomalies are fairly evenly distributed throughout the grid.

The program also delineated an east-west trend to mineralization, centered on the diorite stock. Metal grades, particularly molybdenum, increase to the west into unsurveyed areas. Results of the westernmost line are still pending; these will be incorporated into existing contoured maps upon receipt. Further expansion of this grid, particularly to the west and south, as well as detailed "ground-truthing", will commence immediately.

### **Northstar Diamond Drilling**

To date, ten NQ-sized diamond drill holes have been completed on the Northstar project area, as follow-up to intercepts of disseminated and fracture-filling copper – silver mineralization intersected in 2004.

### **Bougie – Trutch Slave Point Natural Gas Property**

During fiscal 2005 the Company participated in the drilling of a Slave Point Natural Gas Test Well in Northeastern British Columbia. The cost of drilling this test well was \$1,425,000. The operator of the test well was Shell Canada who have a 50% interest in the project. As a result of drilling this test well the Company has earned a 17.5% working interest in twenty-six square miles from the top of the Slave Point to the Basement. The test well is located in a prolific gas producing region of Northeastern British Columbia which has seen several natural gas discoveries. The Company recently paid \$161,542 pursuant to a cash call issued by the new operator for the shallow wells. Drilling is expected to begin as soon as the weather permits.

### **Bulwark Property**

The Company acquired a 45% interest in two sections of land known as the Bulwark property located in Central Alberta. Drilling commenced in May of 2005. The Company paid \$203,150 to acquire this interest.

The Leduc D-3 test well was successfully drilled and cased. The test well was drilled to a depth of 1,180 meters targeting Leduc, Nusku and potential uphole Cretaceous gas zones. Testing has begun in a Coal Bed Methane zone and Lloydminster Sand gas zone. Weather permitting, testing should be completed within 30 days. The test well spudded, June 21, 2005 with rig release on June 29, 2005. There have been several significant delays throughout the drilling and testing process due to severe weather conditions in the region.

The successful test well confirms the structural targets defined in the 3-D seismic program previously completed on the Bulwark Property, allowing the Company with its partners, to identify 6 additional well locations to be drilled over the next 4 months.

In addition after the period end the Company received an AFE to cover the drilling of a re-entry of a former Mannville producer to assess both Mannville and Viking oil and gas potential formation. The well location has been surveyed and licensing is in progress.

### **Goose Creek Property**

The Company acquired a 7.5% working interest for \$83,198 in the Goose Creek property located in West-Central Alberta. The Company and its partners spud a test well in March of 2005. Drilling has been completed and production casing has been set. After extensive testing the objective zones were determined to be non-commercial. Upper zone currently behind pipe will be tested at a later date.

## Results of Operations

The Company reported a net loss for the six months ended August 31, 2005 of \$2,549,031 or \$0.06 per share (2004: \$272,874 or \$0.02 per share).

The Company realized \$3,417 (2004: \$4,517) in oil and gas revenues. 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 a nominal value several years ago at a time when the Company made the decision not to proceed with its oil and gas interests.

The Company paid acquisition costs and incurred exploration expenditures in the period of \$856,773 of which \$438,980 was on the Kaza and Northstar properties. The Company incurred development costs of \$37,870 on its Northeastern BC gas project and paid \$379,923 to participate in two Alberta oil and gas properties.

The Company recorded a stock-based compensation charge of \$2,251,094 relating to stock options during the period. Administrative expenses of \$297,937 increased from \$195,074 in 2004 due to added payroll and consulting expenses.

## 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 28,		
	2005	2004	2003
(Loss) Income before Income Tax	\$ (1,494,695)	\$ 50,890	\$ (265,782)
Net Loss	264,300	29,110	265,782
Loss Per Share	(0.02)	0.00	(0.04)
Total Assets	5,271,716	912,893	507,539
Total Liabilities	113,412	186,442	141,550
Working Capital (deficiency)	1,502,194	298,355	(113,421)

### Summary of Quarterly Results

	2005	2005	2005	2004	2004	2004	2004	2003
	Aug.31 Q2	May 31 Q1	Feb. 28 Q4	Nov. 30 Q3	Aug. 31 Q2	May 30 Q1	Feb. 29 Q4	Nov. 30 Q3
Total revenue	-	3,417	7,029	2,544	610	3,936	11,815	2,584
Income (loss) before extraordinary items	(122,620)	(2,426,411)	(1,494,695)	(75,228)	(174,318)	(92,373)	(144,016)	(85,937)
Basic per share	(0.00)	(0.07)	(0.02)	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)
Diluted per share	(0.00)	(0.07)	(0.02)	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)
Net income (loss)	(122,620)	(2,426,411)	77,619	(75,228)	(174,318)	(92,373)	15,801	274
Basic per share	0.00	0.07	(0.02)	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)
Diluted per share	0.00	0.07	(0.02)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)

### Share Capital and Financing Activities

During the period, the Company received \$1,338,736 as a result of shareholders exercising 2,957,867 warrants and 2,252,917 options being exercised.

### 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 \$1,729,230 at August 31, 2005. The Company believes it is sufficiently funded to financing corporate and administrative expenses and ongoing exploration on the Company's mineral and oil and gas properties in the near future.

### Related Party Transactions

During the period, the Company incurred \$52,870 (2004: \$60,000) in charges by directors or companies with common directors for management and consulting fees. Salaries and benefits of \$20,219 (2004: \$ Nil) were paid to an officer of the Company.

### Off-Balance Sheet Arrangements

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

### Critical Accounting Estimates

See Note 2 to the February 28, 2005 year end audited financial statements of the Company's significant accounting policies.

## Financial Instruments

The Company's financial instruments consist of cash, accounts 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 and oil and gas exploration and development involve a high degree of risk and few properties are ultimately developed to a producing stage. There is no assurance that the Company's future exploration and development activities will result in any discoveries of commercial bodies of ore or oil and gas. 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 commodity prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in a resource property 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 28,		
	2005	2004	2003
Capitalized acquisition, exploration and development costs	\$3,058,022	\$322,275	\$69,740
Stock-based compensation	921,500	99,062	-
Deferred development costs	-	-	-
General and administration costs	578,896	350,684	270,269

## Additional Information

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