

MOUNTAIN BOY MINERALS LTD.
REPORT AND FINANCIAL STATEMENTS
November 30, 2004 and 2003

AUDITORS' REPORT

To the Shareholders
Mountain Boy Minerals Ltd.

We have audited the balance sheets of Mountain Boy Minerals Ltd. as at November 30, 2004 and 2003 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
February 21, 2005

"AMISANO HANSON"
Chartered Accountants

MOUNTAIN BOY MINERALS LTD.
BALANCE SHEETS
November 30, 2004 and 2003

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Current			
Cash		\$ 160,387	\$ 3,746
Accounts receivable		3,438	-
Mining tax credit receivable		16,031	-
GST receivable		11,526	9,487
Prepaid expenses		<u>-</u>	<u>3,995</u>
		191,382	17,228
Deposits		24,873	22,000
Capital assets – Notes 4 and 9		34,136	20,745
Resource properties – Schedule I, Notes 5 and 9		1,658,319	1,537,074
Advance on resource property agreement – Note 6		<u>24,500</u>	<u>-</u>
		<u>\$ 1,933,210</u>	<u>\$ 1,597,047</u>

LIABILITIES

Current			
Accounts payable – Note 9		\$ 86,384	\$ 219,275
Advances payable – Note 7		-	17,500
Due to related parties – Note 9		<u>11,400</u>	<u>72,676</u>
		<u>97,784</u>	<u>309,451</u>

SHAREHOLDERS' EQUITY

Share capital – Notes 8, 9 and 12	2,590,328	1,698,191
Contributed surplus – Note 8	100,133	-
Deficit	<u>(855,035)</u>	<u>(410,595)</u>
	<u>1,835,426</u>	<u>1,287,596</u>
	<u>\$ 1,933,210</u>	<u>\$ 1,597,047</u>

Nature and Continuance of Operations – Note 1
 Commitments – Notes 5 and 8
 Subsequent Events – Notes 5, 8, 11 and 12

APPROVED BY THE DIRECTORS:

“Martin Kasum” Director “Randolph Kasum” Director

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
STATEMENTS OF LOSS AND DEFICIT
for the years ended November 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
General and Administrative Expenses		
Accounting and auditing fees	\$ 34,050	\$ 23,856
Amortization	9,685	6,748
Bank charges and interest	663	2,658
Consulting fees	112,703	-
Filing fees	6,694	15,678
Legal fees	44,034	48,421
Management fees – Note 9	24,000	24,000
Office and miscellaneous	21,782	16,333
Promotion	27,452	2,452
Telephone	5,758	2,799
Transfer agent fees	<u>11,249</u>	<u>9,534</u>
Loss before other items	(293,070)	(152,479)
Other items:		
Write-off of resource property costs – Note 5	(187,145)	-
Interest income	665	551
Drilling income	15,110	-
Equipment rental income	-	11,215
Settlement of lawsuit	<u>25,000</u>	<u>23,000</u>
Net loss for the year	(444,440)	(117,713)
Deficit, beginning of year	<u>(410,595)</u>	<u>(292,882)</u>
Deficit, end of year	<u>\$ (855,035)</u>	<u>\$ (410,595)</u>
Basic and diluted loss per share	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>12,625,462</u>	<u>7,910,415</u>

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
STATEMENTS OF CASH FLOWS
for the years ended November 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating Activities		
Net loss for the year	\$ (444,440)	\$ (117,713)
Add items not affecting cash:		
Amortization	9,685	6,748
Consulting fees	100,133	-
Write-off of resource property costs	<u>187,145</u>	<u>-</u>
	(147,477)	(110,965)
Changes in working capital items related to operations:		
Receivables	(21,508)	10,073
Prepaid expenses	3,995	(3,995)
Accounts payable	(11,696)	132,968
Due to related parties	<u>(21,276)</u>	<u>28,576</u>
	<u>(197,962)</u>	<u>56,657</u>
Financing Activities		
Issuance of share capital	680,942	236,335
Increase (decrease) in advances payable	<u>(17,500)</u>	<u>2,500</u>
	<u>663,442</u>	<u>238,835</u>
Investing Activities		
Increase in deposits	(2,873)	(6,700)
Increase in resource property costs (net)	(258,390)	(279,929)
Advances on resource property agreements	(24,500)	-
Acquisition of capital assets	<u>(23,076)</u>	<u>(10,000)</u>
	<u>(308,839)</u>	<u>(296,629)</u>
Increase (decrease) in cash during the year	156,641	(1,137)
Cash, beginning of the year	<u>3,746</u>	<u>4,883</u>
Cash, end of the year	<u>\$ 160,387</u>	<u>\$ 3,746</u>
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ 1,743</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

Non-cash Transactions – Note 10

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERAL LTD.
SCHEDULE OF RESOURCE PROPERTIES
for the years ended November 30, 2004 and 2003

	Year ended November 30, 2004						
	<u>Mountain Boy</u>	<u>Georgia River</u>	<u>MacKenzie</u>	<u>Silver Coin</u>	<u>Indi</u>	<u>Other Properties</u>	<u>Totals</u>
Acquisition costs							
Balance, beginning of the year	\$ 745,338	\$ 35,809	\$ 88,613	\$ 2,370	\$ -	\$ 70,600	\$ 942,730
Cash	-	-	-	-	8,000	-	8,000
Shares	-	-	-	-	-	50,750	50,750
Staking	820	809	7,780	400	-	8,690	18,499
Less: cash received pursuant to option agreement	-	-	(5,000)	-	-	-	(5,000)
Less: amounts written off	-	(36,618)	-	-	-	-	(36,618)
Balance, end of the year	<u>746,158</u>	<u>-</u>	<u>91,393</u>	<u>2,770</u>	<u>8,000</u>	<u>130,040</u>	<u>978,361</u>
Deferred exploration and development costs:							
Balance, beginning of the year	<u>294,264</u>	<u>157,315</u>	<u>29,396</u>	<u>32,836</u>	<u>-</u>	<u>80,533</u>	<u>594,344</u>
Assaying	-	-	5,423	54,704	-	-	60,127
Drilling and blasting	-	-	3,500	66,893	-	-	70,393
Geological	-	1,400	17,050	88,845	-	-	107,295
Labour	-	-	-	179,371	-	-	179,371
Road clearing	-	-	-	38,927	-	-	38,927
Supplies and miscellaneous	-	-	-	44,352	-	-	44,352
Trucking	-	-	-	34,793	-	-	34,793
Travel and accommodation	-	-	6,850	35,064	-	-	41,914
Less: expense reimbursements	-	-	-	(325,000)	-	-	(325,000)
	<u>-</u>	<u>1,400</u>	<u>32,823</u>	<u>217,949</u>	<u>-</u>	<u>-</u>	<u>252,172</u>
Total before tax credits and amounts written off	294,264	158,715	62,219	250,785	-	80,533	846,516
Less: mining tax credit received	-	(8,188)	(2,932)	(3,874)	-	(1,037)	(16,031)
Less: amounts written-off	-	(150,527)	-	-	-	-	(150,527)
Balance, end of the year	<u>294,264</u>	<u>-</u>	<u>59,287</u>	<u>246,911</u>	<u>-</u>	<u>79,496</u>	<u>679,958</u>
Total costs, November 30, 2004	<u>\$ 1,040,422</u>	<u>\$ -</u>	<u>\$ 150,680</u>	<u>\$ 249,681</u>	<u>\$ 8,000</u>	<u>\$ 209,536</u>	<u>\$ 1,658,319</u>

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SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERAL LTD.
SCHEDULE OF RESOURCE PROPERTIES
for the years ended November 30, 2004 and 2003

	Year ended November 30, 2003					<u>Totals</u>
	<u>Mountain Boy</u>	<u>Georgia River</u>	<u>MacKenzie</u>	<u>Silver Coin</u>	<u>Other Properties</u>	
Acquisition costs						
Balance, beginning of the year	\$ 745,338	\$ -	\$ -	\$ -	\$ 68,200	\$ 813,538
Cash	-	25,000	36,725	1,046	-	62,771
Shares	-	10,000	51,588	-	-	61,588
Staking	-	809	300	1,324	2,400	4,833
Balance, end of the year	<u>745,338</u>	<u>35,809</u>	<u>88,613</u>	<u>2,370</u>	<u>70,600</u>	<u>942,730</u>
Deferred exploration and development costs:						
Balance, beginning of the year	<u>293,864</u>	-	-	-	<u>51,450</u>	<u>345,314</u>
Analytical	-	-	6,616	-	-	6,616
Assaying	-	3,142	5,833	3,291	3,290	15,556
Drilling and blasting	-	21,593	-	5,134	-	26,727
Fuel	-	2,067	-	-	-	2,067
Geological	-	20,870	6,438	22,370	11,300	60,978
Labour	-	33,345	8,477	-	-	41,822
Logging	-	-	-	-	13,985	13,985
Mapping	400	-	-	-	370	770
Supplies and miscellaneous	-	26,381	-	500	138	27,019
Trucking	-	46,015	-	1,541	-	47,556
Travel and accommodation	-	3,902	2,032	-	-	5,934
Balance, end of the year	<u>400</u>	<u>157,315</u>	<u>29,396</u>	<u>32,836</u>	<u>29,083</u>	<u>249,030</u>
Balance, end of the year	<u>294,264</u>	<u>157,315</u>	<u>29,396</u>	<u>32,836</u>	<u>80,533</u>	<u>594,344</u>
Total costs, November 30, 2003	<u>\$ 1,039,602</u>	<u>\$ 193,124</u>	<u>\$ 118,009</u>	<u>\$ 35,206</u>	<u>\$ 151,133</u>	<u>\$ 1,537,074</u>

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2004 and 2003

Note 1 Nature and Continuance of Operations

The Company was incorporated under the laws of the Province of British Columbia on April 26, 1999 and is listed for trading on the TSX Venture Exchange.

The Company is in the development stage and is in the process of exploring and developing its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the resource properties and upon future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared on a going concern basis which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at November 30, 2004, the Company has not achieved profitable operations and has accumulated \$855,035 in losses since inception. The Company's ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Note 2 Change in Accounting Policy

Effective for fiscal years commencing on or after January 1, 2004, Canadian generally accepted accounting principles require the fair value of all share purchase options to be expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Previously only share purchase options granted to non-employees followed this method and options granted to employees were not expensed.

The Company has adopted the new policy on a prospective basis with no restatement of prior periods. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

Note 2 Change in Accounting Policy – (cont'd)

During the year ended November 30, 2004 stock-based compensation expense of \$100,133 was included in consulting fees. Had the Company expensed the fair value of employee share purchase options in prior periods, the following pro forma amounts would have resulted.

		Year ended November 30, <u>2003</u>
Net loss	As reported	\$ (117,713)
	Pro-forma	\$ (139,417)
Basic and diluted loss per share	As reported	\$ (0.01)
	Pro-forma	\$ (0.02)

Assumptions used for the Black-Scholes model are as follows:

	<u>2004</u>	<u>2003</u>
Weighted average fair value of options granted	\$0.19	
Expected dividend yield	0.0%	0.0%
Expected volatility	86 to 112%	106 to 130%
Risk-free interest rate	1.98 to 3.38%	2.93% to 3.48%
Expected term in years	2 to 5 years	5 years

Note 3 Summary of Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgement. Actual results may differ from these estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policy summarized below:

a) Financial Instruments

The carrying values of cash, accounts receivable, accounts payable, advances payable and due to related parties approximate their fair values due to the short maturity of those instruments. The carrying value of deposits also approximates their fair value. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Note 3 Summary of Accounting Policies – (cont'd)

b) Capital Assets and Amortization

Capital assets are recorded at cost. The Company provides for amortization using the declining balance method at the rate of 30% per annum.

c) Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

d) Mining Tax Credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related deferred exploration expenditures.

e) Basic and Diluted Loss Per Share

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the “if converted” method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Note 3 Summary of Accounting Policies – (cont'd)

f) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

g) Flow-through Shares

In March 2004, the CICA issued Emerging Issue Committee Abstract No. 146 (EIC-146), Flow-through Shares, which clarifies the recognition of previously unrecorded future income tax assets caused by renouncement of expenditures relating to flow-through shares. The Company has adopted prospectively the new recommendation for flow-through shares issued after March 19, 2004 and now records the tax effect related to the renounced deductions as a reduction of income tax expense in the statement of loss and deficit on the date that the Company renounces the deductions for investors whereas previously the tax effect was recorded as a credit to equity. This change in accounting policy had no effect on the financial statements.

Note 4 Capital Assets – Note 9

	2004			2003
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Equipment	\$ 49,476	\$ 34,550	\$ 14,926	\$ 12,245
Vehicles	<u>25,600</u>	<u>6,390</u>	<u>19,210</u>	<u>8,500</u>
	<u>\$ 75,076</u>	<u>\$ 40,940</u>	<u>\$ 34,136</u>	<u>\$ 20,745</u>

Note 5 Resource Properties – Notes 9 and 12

a) Mountain Boy Property

The Company owns 50% of seven claims representing 41 units located in the Skeena Mining Division of British Columbia. Previously, the Company had an option to earn the other 50% interest by making payments totalling \$275,000 over a five-year period ending in 2005 (\$39,500 paid). The Company failed to make an option payment due November 1, 2001. As a result, the Company has written-off \$39,500 advanced with respect to the second 50% interest.

Note 5 Resource Properties – Notes 9 and 12 – (cont'd)

a) Mountain Boy Property – (cont'd)

On January 12, 2004, the Company entered into a new option agreement to acquire the remaining 50% interest in the Mountain Boy claims for consideration of \$237,500 cash payable as follows:

December 31, 2004	\$ 25,000	(paid during December 2004)
2005	25,000	
2006	50,000	
2007	50,000	
2008	<u>87,000</u>	
	<u>\$ 237,500</u>	

The additional 50% property interest is subject to a 2% net smelter return which may be purchased for \$1,000,000.

b) Georgia River Property

The Company did not make an option payment of \$20,000 due April 2, 2004 and management has decided not to proceed further with the agreement. During the year ended November 30, 2004, the Company wrote-off total costs of \$187,145 incurred on the property.

c) MacKenzie Property

The Company has a 100% interest in the Mackenzie Property, a group of 95 mineral claims located in the Cariboo Mining Division of British Columbia which it acquired during the year ended November 30, 2003 for cash consideration of \$36,725 and the issue of 515,880 shares of the Company.

Pursuant to an agreement dated March 11, 2004, the Company granted an option to another company to conduct exploration tests on 20 of the claims (Boot 1-20) for which the Company received \$5,000. The results of the testing were negative and as a result the option agreement was terminated.

d) Silver Coin Property

The Company has a 100% interest in the Silver Coin Property, a group of eight reverted Crown-granted claims located 25 kilometres north of Stewart, British Columbia which was acquired during the year ended November 30, 2003 for cash consideration of \$1,046. In addition, the Company staked 12 claims that are contiguous to the reverted Crown-granted claims.

Note 5 Resource Properties – Notes 9 and 12 – (cont'd)

d) Silver Coin Property – (cont'd)

By an agreement dated July 29, 2004, the Company granted another company the option to earn up to 51% of the Company's interest in the Silver Coin, FR and Indi properties by incurring \$1,750,000 on exploration expenditures by the following dates:

- \$250,000 on or before October 15, 2004 (incurred);
- \$500,000 on or before October 15, 2005;
- \$1,000,000 on or before October 16, 2006.

The Company will act as operator. Once the option has been fully earned, the Company and the optionee will form a joint venture for further development of the properties. In addition, the optionee has the right to earn an additional 9% interest in the properties by bringing one of the properties into production.

e) Indi Property

Pursuant to an option agreement dated March 26, 2004, the Company acquired the right to earn an undivided 55% interest in four mineral claims known as the Indi property located in the Skeena Mining Division of British Columbia. To earn the 55% interest the Company paid \$8,000 upon signing the agreement and must carry out sufficient exploration and development work on the claims to keep them in good standing up to March 26, 2005. The Company must provide written notice of its election to exercise the option on or before March 31, 2005.

f) Other Properties

The Company has a 100% interest in 33 mineral claims located in the Skeena Mining Division of British Columbia consisting of the LRJ #6 Property, the FDR/Ben Ali Property, the FR Property, the Stro 1 – 3 and Dave Property. The LRJ #6 Property is subject to a 1% net smelter royalty to a maximum of \$500,000. During the year ended November 30, 2004 the Company staked an additional four claims, Big Red 1 – 4, and purchased the Abpal #1 claim for consideration consisting of 200,000 shares valued at \$50,000.

Note 6 Advance on Resource Property Agreement

As at November 30, 2004, the Company advanced \$24,500 to an unrelated Company in respect to a mineral property agreement that has yet to be completed. The advance is non-refundable.

Note 7 Advances payable

The advances payable are non-interest bearing, unsecured and payable on demand.

Note 8 Share Capital – Note 12

Authorized:

50,000,000 common shares without par value

Issued:

		<u>Number</u>	<u>Amount</u>
Balance, November 30, 2002		6,383,804	\$ 1,311,058
For debt settlements	at \$0.10	892,100	89,210
For resource property acquisitions	– at \$0.10	615,880	61,588
For cash:			
Private placement	– at \$0.10	410,000	41,000
Private placement	– at \$0.18	206,277	37,130
Private placement	– at \$0.25	430,000	107,500
Private placement	– at \$0.25	228,000	57,000
Private placement	– at \$0.18	13,000	2,340
Share issue costs		-	(15,635)
Exercise of share purchase options	– at \$0.10	<u>70,000</u>	<u>7,000</u>
Balance, November 30, 2003		9,249,061	1,698,191
For debt settlements	- at \$0.11	1,465,410	161,195
For resource property acquisitions	- at \$0.25	200,000	50,000
For cash:			
Private placement	- at \$0.24	208,300	49,992
Private placement	- at \$0.30	343,000	102,900
Private placement	- at \$0.25	723,000	180,750
Private placement	- at \$0.18	834,778	150,260
Share issue costs		-	(5,000)
Exercise of share purchase options	- at \$0.10	120,000	12,000
Exercise of share purchase options	- at \$0.14	130,000	18,200
Exercise of share purchase warrants	- at \$0.10	185,000	18,500
Exercise of share purchase warrants	- at \$0.20	75,777	15,155
Exercise of share purchase warrants	- at \$0.25	302,778	75,695
Exercise of share purchase warrants	- at \$0.30	<u>208,300</u>	<u>62,490</u>
Balance, November 30, 2004		<u>14,045,404</u>	<u>\$ 2,590,238</u>

Note 8 Share Capital – Note 12 – (cont'd)

Commitments:

Flow-through Offerings

During the year ended November 30, 2004, the Company issued 208,300 units at \$0.24 per unit and 343,000 units at \$0.30 per unit. Each unit consisted of a flow-through common share and one share purchase warrant exercisable into one common share for a one year period as follows:

<u>Number</u>	<u>Unit Price</u>	<u>Warrant Exercise Price</u>	<u>Warrant Expiry Date</u>
208,300	\$0.24	\$0.30	December 16, 2004
<u>343,000</u>	\$0.30	\$0.35	April 19, 2005
<u>551,300</u>			

During the year ended November 30, 2003, the Company issued 658,000 flow-through units at \$0.25 per unit. Each unit consisted of a flow-through common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$0.25 per share until September 23, 2005.

Flow-through Broker Warrants

During the year ended November 30, 2004, the Company issued 33,250 flow-through broker warrants. Each flow-through broker warrant is exercisable into one common share at \$0.30 per share until April 19, 2005.

During the year ended November 30, 2003, the Company issued 42,000 flow-through broker warrants. Each flow-through broker warrant is exercisable into one common share at \$0.25 per share until September 23, 2005.

Stock-based Compensation Plan

The Company has granted directors, employees and consultants common share purchase options. These options are granted with an exercise price equal to the market price of the Company's shares on the date of the grant. Under the stock option plan, 25% of the options vest when granted and 12½ % vest every three months thereafter. The maximum number of shares that may be issued under the plan is 2,408,665.

Note 8 Share Capital – Note 12 – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation – (cont'd)

A summary of the stock option plan is presented below:

	Years ended November 30,		Years ended November 30,	
	2004		2003	
	Share Purchase Options	Weighted Average Exercise Price	Share Purchase Options	Weighted Average Exercise Price
Outstanding at beginning of year	1,586,000	\$0.11	1,142,000	\$0.10
Granted	1,004,000	\$0.30	514,000	\$0.12
Exercised	<u>(250,000)</u>	\$0.12	<u>(70,000)</u>	\$0.10
Options outstanding at end of year	<u>2,340,000</u>	\$0.19	<u>1,586,000</u>	\$0.11
Options exercisable at end of year	<u>1,624,625</u>	\$0.15	<u>1,309,875</u>	\$0.10

As at November 30, 2004, there are 2,340,000 director, employee and consultants share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Price</u>	<u>Expiry</u>
362,000	\$0.10	April 19, 2005
440,000	\$0.10	July 17, 2005
40,000	\$0.28	February 4, 2006
265,000	\$0.10	January 4, 2007
165,000	\$0.10	February 5, 2008
35,000	\$0.20	July 25, 2008
69,000	\$0.14	November 13, 2008
100,000	\$0.28	February 4, 2009
314,000	\$0.33	June 25, 2009
250,000	\$0.25	September 3, 2009
<u>300,000</u>	\$0.33	November 30, 2009
<u>2,340,000</u>		

Note 8 Share Capital – Note 12 – (cont'd)

Commitments: – (cont'd)

Share Purchase Warrants

At November 30, 2004, the Company had 2,833,269 share purchase warrants outstanding entitling the holder thereof the right to purchase one common share for each warrant held as follows:

<u>Quantity</u>	<u>Exercise Price Per Share</u>	<u>Expiry Date</u>
* 532,000	\$0.25	December 16, 2004
240,000	\$0.10	March 14, 2005
1,066,000	\$0.35	April 19, 2005
33,250	\$0.30	April 19, 2005
197,200	\$0.20	August 6, 2005
481,569	\$0.25	August 6, 2005
270,000	\$0.25	September 23, 2005
<u>13,250</u>	\$0.20	September 23, 2005
<u><u>2,833,269</u></u>		

* Subsequent to November 30, 2004, 50,000 warrants were exercised. The remaining 482,000 expired unexercised.

Note 9 Related Party Transactions

The Company incurred the following charges with directors or companies with directors in common:

	Years ended November 30,	
	<u>2004</u>	<u>2003</u>
Acquisition of capital assets	\$ 3,000	\$ 10,000
Resource properties		
Deferred exploration costs		
Field supplies	2,535	13,000
Geological	34,550	-
Labour	22,815	28,340
Management fees	<u>24,000</u>	<u>24,000</u>
	<u>\$ 86,900</u>	<u>\$ 75,340</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Note 9 Related Party Transactions – (cont'd)

The following amounts are owing to directors of the Company or to companies with directors in common:

	November 30,	
	<u>2004</u>	<u>2003</u>
Accounts payable	\$ 20,245	\$ 49,170
Due to related parties	<u>11,400</u>	<u>72,676</u>
	<u>\$ 31,645</u>	<u>\$ 121,846</u>

Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

During the year ended November 30, 2004 the Company issued 1,076,320 common shares at \$0.11 per share to directors and officers and private companies with directors in common to settle accounts payable totalling \$118,395.

During the year ended November 30, 2004, included in private placements were 168,000 common shares at \$0.25 - \$0.30 per share issued to directors and/or private companies controlled by directors for total consideration of \$45,000.

Note 10 Non-Cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

For the year ended November 30, 2004:

- a) The Company issued 1,465,310 common shares at \$0.11 per share to settle accounts payable of \$121,195 and due to related parties of \$40,000.
- b) Pursuant to a mineral property acquisition agreement, the Company issued 200,000 common shares at \$0.25 per share to acquire a mineral property at a cost of \$50,000.

For the year ended November 30, 2003:

- a) The Company issued 892,100 common shares at \$0.10 per share to settle accounts payable totalling \$89,210.
- b) Pursuant to mineral property acquisition agreements, the Company issued 615,880 common shares at \$0.10 per share to acquire mineral properties at a cost of \$61,588.

Note 11 Corporation Income Taxes

At November 30, 2004, the Company has accumulated Canadian Exploration and Development Expenses of \$1,913,966 and has accumulated non-capital losses totalling \$30,719 which are available to reduce taxable income of future years. The non-capital losses expire as follows:

2006	\$ 5,742
2007	<u>24,977</u>
	<u>\$ 30,719</u>

Canadian Exploration and Development expenses renounced to investors are not available for deduction by the Company. Subsequent to November 30, 2004, the Company renounced \$102,557 of exploration expenses. The significant components of the Company's future tax assets are as follows:

	<u>2004</u>	<u>2003</u>
Temporary differences – capital assets	\$ 14,329	\$ -
Exploration and development expenses	108,421	47,464
Non-capital losses	<u>10,752</u>	<u>12,288</u>
	133,502	59,752
Valuation allowance	<u>(133,502)</u>	<u>(59,752)</u>
	<u>\$ -</u>	<u>\$ -</u>

Note 12 Subsequent Events

Subsequent to November 30, 2004:

- a) the Company issued 120,000 shares at \$0.10 - \$0.25 per share pursuant to the exercise of share purchase warrants for proceeds of \$19,500.
- b) the Company issued 664,000 shares at \$0.10 - \$0.14 per share pursuant to the exercise of share purchase options for proceeds of \$67,360
- c) the Company granted two directors share purchase options to purchase 364,000 shares of the Company at \$0.25 per share expiring December 13, 2009 and granted five directors share purchase options to purchase 350,000 shares (70,000 each) of the Company at \$0.22 per share expiring December 22, 2009.
- d) The Company granted a consultant of the Company share purchase options to purchase 25,000 shares of the Company at \$0.22 per share expiring December 22, 2009.