

Unaudited Interim Consolidated Financial Statements of

**BOXXER GOLD CORP.**

Six Months ended June 30, 2004 and 2003

The accompanying unaudited interim consolidated financial statements of Boxxer Gold Corp. for the quarter ended June 30, 2004 have been prepared by management and approved by the Audit Committee.

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

August 23, 2004

(Signed) "Colin B. Christensen"

President and Chief Executive Officer

(Signed) "Brian C. Harder"

Chief Financial Officer

# BOXXER GOLD CORP.

Interim Consolidated Balance Sheets  
(Unaudited)

	June 30, 2004	December 31, 2003
<b>Assets</b>		
Current assets:		
Cash	\$ 12,016	\$ 41,576
Term deposit (note 3)	125,000	450,404
Accounts receivable and deposits	37,321	8,592
	<u>174,337</u>	<u>500,572</u>
Furniture and equipment	3,567	3,982
Mineral properties (note 4)	848,668	345,352
	<u>\$ 1,026,572</u>	<u>\$ 849,906</u>

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 73,836	\$ 22,333
Shareholders' equity:		
Share capital (note 5)	1,346,399	993,089
Contributed surplus (note 5)	104,107	62,894
Deficit	(497,770)	(228,410)
	<u>952,736</u>	<u>827,573</u>
Commitment (note 4)		
Subsequent event (note 8)		
	<u>\$ 1,026,572</u>	<u>\$ 849,906</u>

See accompanying notes to interim consolidated financial statements.

ON BEHALF OF THE BOARD::

(SIGNED): "COLIN BYRNE CHRISTENSEN"

(SIGNED): "WILLIAM TRUMAN KILBOURNE"

# BOXXER GOLD CORP.

Interim Consolidated Statements of Operations and Deficit  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2004	2003	2004	2003
Expenses:				
Management fees	\$ 15,000	\$ 9,000	\$ 30,000	\$ 18,000
General and administrative	91,967	8,432	238,945	17,317
Depreciation	207	-	415	-
Loss for the period	107,174	17,432	269,360	35,317
Deficit, beginning of period	390,596	58,831	228,410	40,946
Deficit, end of period	\$ 497,770	\$ 76,263	\$ 497,770	\$ 76,263
Loss per share:				
Basic and diluted (note 5)	\$ (0.01)	\$ -	\$ (0.02)	\$ -

See accompanying notes to interim consolidated financial statements.

# BOXXER GOLD CORP.

Interim Consolidated Statements of Cash Flows  
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2004	2003	2004	2003
Cash Provided by (used in):				
Operations:				
Loss for the period	\$ (107,174)	\$ (17,432)	\$ (269,360)	\$ (35,317)
Non-cash item:				
Depreciation	207	-	415	-
Stock-based compensation	-	-	41,213	-
Change in non-cash working capital (5,810)	(5,810)	(27,734)	(14,378)	(34,781)
	(112,777)	(45,166)	(242,110)	(70,098)
Financing:				
Issue of share capital for cash, net	-	55,000	353,310	105,000
Due to shareholder	-	-	-	(5,000)
		55,000	353,310	100,000
Investing:				
Addition to mineral properties	(254,298)	(5,109)	(503,316)	(13,985)
Change in non-cash working capital	320,854	-	362,556	-
	66,556	(5,109)	(140,760)	(13,985)
Increase (decrease) in cash	(46,221)	4,725	(29,560)	15,917
Cash, beginning of period	58,237	11,192	41,576	-
Cash, end of period	\$ 12,016	\$ 15,917	\$ 12,016	\$ 15,917

See accompanying notes to interim consolidated financial statements.

# BOXXER GOLD CORP.

## Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2004 and 2003  
(Unaudited)

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Boxxer Gold Corp. (the "Company") is engaged in the exploration and development of gold mining properties in Canada and the United States. The Company is currently in the development stage as all of the Company's properties are in the exploration stage.

### 1. Future operations:

These consolidated financial statements have been prepared by management on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

At June 30, 2004, the Company had working capital of \$100,501 (2003 - \$478,239), had incurred a net loss for the six-month period ended June 30, 2004 of \$269,360 (2003 - \$17,885) and had a deficit of \$497,770 (2003 - \$76,163). The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations. The ability of the Company to generate future profitable operations is primarily dependent upon achieving successful exploration and profitable development of its mineral properties.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption were not appropriate for these financial statements, adjustments might be necessary to the carrying value of assets and liabilities, reported expenses and the balance sheet classifications used.

### 2. Significant accounting policies:

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statement have been prepared following the same accounting principles and methods of computation as the financial statements for the fiscal year ended December 31, 2003 except as described below. The disclosure provided below is incremental to those included with the annual financial statements. The interim financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2003.

# BOXXER GOLD CORP.

Notes to Interim Consolidated Financial Statements, Page 2

Six months ended June 30, 2004 and 2003  
(Unaudited)

## 2. Significant accounting policies (continued):

Asset retirement obligation:

Effective January 1, 2004, the Company adopted the new Canadian accounting standard for asset retirement obligations. The new standard requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and or the normal use of the assets. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depleted and depreciated using a unit of production method over estimated gross proved plus probable resources. Subsequent to the initial measurement of the asset retirement obligations, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. There was no impact to the consolidated financial statements upon adoption of this accounting policy.

## 3. Term deposit:

The term deposit bears interest at 2.05% per annum and matures on December 15, 2004.

## 4. Mineral properties:

	Balance at December 31, 2003	Additions	Balance at June 30, 2004
Property acquisition	\$ -	\$ 40,000	\$ 40,000
Staking and filing fees	21,162	33,931	55,093
Lease payments	30,702	18,658	49,360
Geological services	282,550	184,754	467,304
Geophysical services	-	29,979	29,979
Drilling	-	161,114	161,114
Assay analysis	10,938	34,880	45,818
	<u>\$ 345,352</u>	<u>\$ 503,316</u>	<u>\$ 848,668</u>

	Balance at December 31, 2002	Additions	Balance at December 31, 2003
Staking and filing fees	\$ -	\$ 21,162	\$ 21,162
Lease payments	2,876	27,826	30,702
Geological services	207,625	74,925	282,550
Assay analysis	-	10,938	10,938
	<u>\$ 210,501</u>	<u>\$ 134,851</u>	<u>\$ 345,352</u>

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Notes to Interim Consolidated Financial Statements, Page 3

Six months ended June 30, 2004 and 2003  
(Unaudited)

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#### 4. Mineral properties (continued):

The Company has no mineral resources or reserves assigned on its properties at this time.

##### *Boss Property:*

The Boss property in southern Nevada consists of a contiguous land block that includes 9 patented (Boss and Oro Amigo patents) claims and 207 unpatented mining lode claims located in Township 24 South, Range 57 East (Mount Diablo Meridian), parts of Sections 23,26,27 and 34, Goodsprings mining district, Clark County, Nevada. The current land position covers an area of approximately 4,265 acres.

The Company, through its wholly owned U.S. subsidiary, 3 Amigos Exploration Inc., leases the Oro Amigo patented claims in Nevada under a long-term extendible operating lease, which expires August 12, 2017. Under the terms of the lease, the Company must make monthly advance royalty payments of U.S.\$500 (Cdn\$770) for the first six years. In the fourth year of the lease, the monthly payment increases to U.S.\$5,000 (Cdn\$7,700) and is maintained at this rate for the balance of the term of the lease. Should production of minerals commence from the Oro Amigo patented mineral claims, the monthly advance royalty payment is converted to either a 5% royalty on production, or a payment of U.S.\$5,000 per month, whichever is greater.

On January 2, 2003, the Company, through its wholly owned U.S. subsidiary, 3 Amigo's Exploration Inc., signed a long-term extendible operating lease with one of the 50% owners on the Boss patented claims in Nevada, which expires January 2, 2018. The monthly advance royalty payments are U.S.\$750 (CDN \$1,155) for the first year, U.S.\$1,000 (CDN \$1,540) the second year, and U.S.\$1,500 (CDN \$2,310) for the third year, until expiry of the lease. On commencement of production of minerals, if any, from the Boss patented claims, the monthly royalty payment can be converted to a 1.5% net smelter royalty. The Company has the right to recover all previous royalty payments from the production royalty. Under the terms of this lease agreement this 50% owner has the right to convert the monthly royalty payments to a 20% Working Interest at any time before the completion of a feasibility study, in which case he would be responsible for 20% of all expenditures incurred on the property after the conversion.

On June 2, 2003 the Company executed a 15-year extendible lease agreement date June 2, 2003 with the remaining 50% owner of the Boss patented claims, which expire June 2, 2018. The lease agreement requires a U.S.\$750 (CDN \$1,155) per month advance royalty payment for the first year, U.S.\$1,000 (CDN \$1,540) per month for the second year, and U.S.\$1,500 (CDN \$2,310) per month for the third year and thereafter. If production commences from the Boss patented claims, the monthly royalty payment converts to a 1.5% net smelter royalty, payable quarterly after recovery by the Company of the advance royalty payments.

# BOXXER GOLD CORP.

Notes to Interim Consolidated Financial Statements, Page 4

Six months ended June 30, 2004 and 2003  
(Unaudited)

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## 4. Mineral properties (continued):

During the three month period ending June 30, 2004 the Company continued its exploration activity on the Boss property, which consisted of approximately 2,000 feet of diamond drilling in six shallow, angled core holes constructed on the west side of the Boss claim group. A total of 278 sawed core samples were collected and assayed. Total deferred exploration expenditures during the second quarter were \$254,298, bringing the total for the six-month period to \$442,326.

### *Gordon Lake:*

On December 1, 2003 the Company announced the signing of a Letter Agreement whereby the Company had acquired the right to earn between 90%-100% in the Gordon Lake gold property located in the Northwest Territories approximately 110 kilometers northeast of Yellowknife. This acquisition was accepted by the TSX Venture Exchange on March 24, 2004. Under terms of the proposed transaction, the Company attained an assignment from 397405 Alberta Ltd. of the right to earn a 90% working interest in the Gordon Lake gold property involving Mineral Lease # 3123, covering approximately 611 acres, and 100% of 397405 Alberta Ltd.'s interest in seven contiguous mineral claims that cover approximately 10,386 acres. Under the terms of the agreement, the Company can earn the respective interests in the property by:

1. spending \$500,000 in exploration expenditures on the property by December 31, 2005, with a minimum of \$250,000 being spent by the end of December 2004,
2. issuing 600,000 common shares of the Company as follows:
  - (a) 100,000 common shares, plus \$40,000 in cash on approval of the transaction by the TSX Venture Exchange (paid):
  - (b) 250,000 common shares on completion of the first \$50,000 in exploration expenditures, plus a cash payment of \$31,000;
  - (c) 250,000 common shares on completion of the next \$250,000 in exploration expenditures, plus a cash payment of \$31,000.

An arms length third party retains a 10% working interest in Mineral Lease #3123. If a decision is made to place a portion of the Lease into production, the third party will be responsible for its share of future expenditures. The third party also holds a sliding scale royalty on any future gold production from this lease that ranges from 1% to 4% if the future price of gold is greater than US\$400 per ounce. Should either party dilute its working interest in the Lease below 10%, its working interest will automatically be converted into a 5% Net Profits Interest. This acquisition by the Company was a non-arms length transaction involving a director and shareholder of the Company.

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Notes to Interim Consolidated Financial Statements, Page 5

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## 4. Mineral properties (continued):

No additional expenditures were made on the Gordon Lake gold project during the three-month period ending June 30, 2004. For the six-month period ending June 30, 2004 expenditures totaled \$60,990, comprised of \$20,990 for an independent technical report on the property, and \$40,000 as the initial cash payment to the vendor in consideration of the original transaction.

The Company's annual lease commitments as described above are as follows:

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2004	\$ 35,200
2005	75,810
2006	127,680
2007	127,680
2008	127,680

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## 5. Share capital:

### (a) Authorized:

Unlimited number of Class A common shares without nominal or par value.

Unlimited number of preferred shares without nominal or par value.

### (b) Issued:

Changes in issued common shares of the Company are as follows:

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	Number of Shares	Amount
Balance, December 31, 2002	5,688,000	\$ 177,200
Issued for cash, private placement	1,050,000	105,000
Issued for cash	7,145,880	906,681
Share issuance costs	–	(235,624)
Fair value of warrants	–	39,832
Balance, December 31, 2003	13,883,880	993,089
Exercise of Warrants	2,229,800	334,470
Exercise of Agent's Options	322,000	38,640
Share issuance costs	–	(19,800)
Balance, June 30, 2004	16,435,860	\$1,346,399

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Notes to Interim Consolidated Financial Statements, Page 6

Six months ended June 30, 2004 and 2003  
(Unaudited)

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## 5. Share capital (continued):

### (b) Issued (continued):

As at June 30, 2004, there were 1,110,500 warrants outstanding; 495,500 warrants exercisable at \$0.15, which expire on September 29, 2004; and, 615,000 warrants exercisable at \$0.25, which expire on November 29, 2004 (December 31, 2003 – 2,725,300 at \$0.15, and 615,000 at \$0.25). During the six months ended June 30, 2004, 2,229,800 warrants were exercised at \$0.15. As at June 30, 2004, there were 111,820 agents options outstanding at \$0.12 which expire on March 29, 2005 (December 31, 2003 – 433,820). During the six months ended June 30, 2004, 322,000 agents options were exercised at \$0.12. As at June 30, 2004, a total of 3,516,001 common shares were held in escrow, to be released in equal tranches at six month intervals commencing October 14, 2004.

### (c) Share options:

Under the Company's stock option plan, the Company may grant options to employees, consultants, officers and directors equal to 10% of the issued and outstanding common shares.

On January 23, 2004, the Company granted 400,000 stock options at \$0.25 per share to the officers and directors of the Company. The options granted vest upon granting, are non-transferable and expire on January 23, 2009

### (d) Stock-based compensation:

Compensation expense is recognized when employee stock options are granted. In accordance with the Company's incentive stock option plan, these options have an exercise price equal to or greater than the market price at the date of grant. During the three month period ended June 30, 2004 there were no new stock options issued. For the six-month period ending June 30, 2004, 400,000 stock options were issued at an option price of \$0.25 per share. The Company has used the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.0%, expected life of 5 years and expected volatility of 40 %.

Compensation expense of \$41,213 has been determined based upon the fair value of employee options granted during the six months ended June 30, 2004 and recorded to contributed surplus.

# BOXXER GOLD CORP.

Notes to Interim Consolidated Financial Statements, Page 7

Six months ended June 30, 2004 and 2003  
(Unaudited)

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## 5. Share capital (continued):

(e) Per share amounts:

For the six months ending June 30, 2004, in computing the loss per share, options and warrants totaling 2,522,320 shares (2003 – nil) were excluded from the dilution calculation, as they were anti-dilutive. The weighted average number of common shares outstanding for the six-month period ended June 30, 2004 was 15,196,675 (2003 – 6,063,691). For the three month period ending June 30, 2004, the weighted average number of common shares outstanding was 16,435,860 (2003 – 6,188,000).

## 6. Related party transactions:

During the three-month period ended June 30, 2004, the Company paid the president of the Company \$15,000 for management fees (2003 - \$9,000). For the six months ending June 30, 2004 management fees totaled \$30,000. These costs were charged to management fees expense.

During the six months ended June 30, 2004, the Company paid 397405 Alberta Ltd., a company owned by a director and shareholder of the Company, \$6,938 (2003 – \$1,282) for exploration services provided and expenses incurred on behalf of the Company. These costs were capitalized as exploration expenditures.

During the six months ended June 30, 2004, the Company paid to a shareholder of the Company, \$2,350 (2003 – \$nil) for exploration services provided to the Company. These costs were capitalized as exploration expenditures.

The above transactions are in the normal course of operations and are measured at the exchange amount of the consideration established and agreed upon by the related parties.

## 7. Financial instruments:

The Company's financial instruments consist of financial assets and liabilities, all of which are current in nature and whose book values approximate their fair values.

### *Currency and interest rate risk:*

The Company is exposed to interest rate and foreign currency exchange rate risk. To date, financial instruments have not been utilized to mitigate these risks.

# **BOXXER GOLD CORP.**

Notes to Interim Consolidated Financial Statements, Page 8

Six months ended June 30, 2004 and 2003  
(Unaudited)

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## **8. Subsequent event:**

On August 4, 2004 the Company announced the acquisition of an additional 100% interest in four patented lode mining claims (46 acres) as part of the land position at its Boss Property in southern Nevada. The Company signed a ten-year lease agreement with the property owner whereby the Company will pay an advanced minimum royalty of U.S.\$1,000 annually throughout the life of the agreement. The lease agreement is subject to a net smelter royalty (NSR) of 4% on future open pit production, and 3% from underground production. The Company has the option to purchase the property and the net smelter royalty for U.S.\$50,000 at any time during the term of the lease agreement.