

kpmg

Consolidated Financial Statements of

BOXXER GOLD CORP.

Years ended December 31, 2004 and 2003

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Boxxer Gold Corp. as at December 31, 2004 and 2003 and the consolidated statements of operations 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 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.

KPMG LLP

Chartered Accountants
Calgary, Canada
April 1, 2005

BOXXER GOLD CORP.

Consolidated Balance Sheets

December 31, 2004 and 2003

	2004	2003
Assets		
Current assets:		
Cash	\$ 228,849	\$ 41,576
Term deposit	-	450,404
Accounts receivable	47,340	8,592
	<u>276,189</u>	<u>500,572</u>
Furniture and equipment	3,185	3,982
Mineral properties (note 3)	1,038,811	345,352
	<u>\$ 1,318,185</u>	<u>\$ 849,906</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 139,628	\$ 22,333
Shareholders' equity:		
Share capital (note 4)	1,672,511	993,089
Contributed surplus (note 5)	104,107	62,894
Deficit	(598,061)	(228,410)
	<u>1,178,557</u>	<u>827,573</u>
Future operations (note 1)		
Commitments (notes 3 and 4)		
Subsequent event (note 9)		
	<u>\$ 1,318,185</u>	<u>\$ 849,906</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed) "Colin Byrne Christensen" Director

(Signed) "William Truman Kilbourne" Director

BOXXER GOLD CORP.

Consolidated Statements of Operations and Deficit

Years ended December 31, 2004 and 2003

	2004	2003
Expenses:		
Management fees (note 7)	\$ 60,000	\$ 47,000
General and administrative (note 4)	308,855	140,022
Depreciation	796	442
Net loss for the year	369,651	187,464
Deficit, beginning of year	228,410	40,946
Deficit, end of year	\$ 598,061	\$ 228,410
Loss per share - basic and diluted (note 4(e))	\$ (0.02)	\$ (0.02)

See accompanying notes to consolidated financial statements.

BOXXER GOLD CORP.

Consolidated Statements of Cash Flows

Years ended December 31, 2004 and 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Net loss for the year	\$ (369,651)	\$ (187,464)
Non-cash items:		
Depreciation	796	442
Stock-based compensation (note 5(d))	41,213	44,510
Change in non-cash working capital	(16,453)	(40,506)
	(319,244)	(183,018)
Financing:		
Issue of share capital for cash, net	679,422	834,273
Term deposit	-	(450,404)
Due to shareholder	-	(20,000)
	679,422	363,869
Investments:		
Addition to mineral properties	(598,459)	(134,851)
Purchase of furniture and equipment	-	(4,424)
Change in non-cash working capital	520,554	-
	(172,905)	(139,275)
Change in cash	187,273	41,576
Cash, beginning of year	41,576	-
Cash, end of year	\$ 228,849	\$ 41,576
Interest received	\$ 3,402	\$ 415

See accompanying notes to consolidated financial statements.

BOXXER GOLD CORP.

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003

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 December 31, 2004, the Company had working capital of \$231,561, had incurred a net loss of \$369,651 and had an accumulated deficit of \$598,061. The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and to obtain additional financing. 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 may be necessary to the carrying value of assets and liabilities, reported expenses and the balance sheet classifications used.

2. Significant accounting policies:

The significant accounting policies followed by the Company are summarized as follows:

(a) Basis of preparation:

These consolidated financial statements include the accounts of the Company and its wholly owned U.S. subsidiary.

(b) Use of estimates:

The preparation of the Company's consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Significant areas requiring the use of management estimates relate to the determination of mineral reserves, reclamation, and environmental obligations, impairment of assets and useful lives used to compute depreciation, depletion and amortization. Actual results could differ from those estimates.

BOXXER GOLD CORP.

Notes to Consolidated Financial Statements, Page 2

Years ended December 31, 2004 and 2003

2. Significant accounting policies (continued):

(c) Mineral interests:

Mineral properties are recorded at cost and will be depleted on the unit-of-production method over the estimated economic life of the mine to which they relate. Development costs incurred to expand existing capacity, develop new ore bodies and develop property substantially in advance of production are capitalized.

Exploration expenditures are charged to earnings in the period incurred except where these costs relate to specific properties in which case they are deferred. Significant property payments for active exploration properties are capitalized. If no mineable ore body is discovered, previously capitalized costs are expensed.

Mineral property costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If estimated future net cash flows expected to result from the use of properties and their eventual disposition are less than the carrying amount, then these properties are written down to their estimated recoverable amount.

Amounts recorded for mineral properties represent costs incurred to date and are not intended to reflect present or future values. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

(d) Furniture and equipment

Office furniture and equipment are recorded at cost and are depreciated on a declining balance basis over the estimated useful life of five years.

(e) Asset retirement obligation ("ARO")

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.

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Notes to Consolidated Financial Statements, Page 3

Years ended December 31, 2004 and 2003

2. Significant accounting policies (continued):

(f) Foreign currency translation:

The Company translates foreign currency denominated transactions and the financial statements of integrated foreign operations using the temporal method. Monetary assets and liabilities are translated at year-end rates. Non-monetary assets and liabilities are translated at rates in effect on the dates of the transactions. Income and expenses are translated at average rates in effect during the year with the exception of depreciation, which is translated at historic rates. Exchange gains and losses on translation of monetary assets and liabilities are reflected in earnings immediately.

(g) Stock-based compensation plan:

The Company accounts for all stock-based compensation arrangements using the fair value method, under which compensation expense is recorded based on the estimated fair value of the options as determined at the date of grant, and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase in share capital.

(h) Per share amounts:

Basic per share information is calculated on the basis of the weighted average number of common shares outstanding during the year.

Diluted per share amounts are calculated using the treasury stock method. Diluted calculations reflect the weighted average incremental common shares that would be issued upon exercise of dilutive options and warrants assuming proceeds would be used to repurchase shares at average market prices for the period. Anti-dilutive options and warrants are not included in the calculation.

(i) Flow-through shares:

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. The estimated cost of the renounced tax deductions are reflected in share capital and future income taxes when the expenditures are renounced.

(j) Income taxes:

The Company follows the liability method to account for income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

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Notes to Consolidated Financial Statements, Page 4

Years ended December 31, 2004 and 2003

3. Mineral properties:

	Balance at December 31, 2003	Additions	Balance at December 31, 2004
Property acquisition	\$ -	\$ 40,000	\$ 40,000
Staking and filing fees	21,162	60,651	81,813
Lease payments	30,702	39,133	69,835
Geological services	282,550	220,839	503,389
Geophysical services	-	94,979	94,979
Drilling	-	202,620	202,620
Assay analysis	10,938	35,237	46,175
	<u>\$ 345,352</u>	<u>\$ 693,459</u>	<u>\$ 1,038,811</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>

Expenditure by property:

	Balance at December 31, 2003	Additions	Balance at December 31, 2004
Gordon Lake (Canadian property):			
Property acquisition	\$ -	\$ 40,000	\$ 40,000
Geophysical Services	-	65,000	65,000
Drilling	-	30,000	30,000
Geological services	-	20,990	20,990
	-	155,990	155,990
Boss (United States property):			
Staking and filing fees	21,162	60,651	81,813
Lease payments	30,702	39,133	69,835
Geological services	282,550	199,849	482,399
Geophysical services	-	29,979	29,979
Drilling	-	172,620	172,620
Assay analysis	10,938	35,237	46,175
	<u>345,352</u>	<u>537,469</u>	<u>882,821</u>
Total	<u>\$ 345,352</u>	<u>\$ 693,459</u>	<u>\$ 1,038,811</u>

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Notes to Consolidated Financial Statements, Page 5

Years ended December 31, 2004 and 2003

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Years ended December 31, 2004 and 2003

3. Mineral properties (continued):

The Company has no mineral resources or reserves assigned on its properties at this time. The Boss property in southern Nevada consists of a contiguous land block that includes 13 patented (Boss, Oro Amigo, and Hogle patents) claims and 149 unpatented mining lode claims located in Nevada. The land position as at December 31, 2004 covers an area of approximately 3,100 acres.

The Company leases the Oro Amigo patented claims in Nevada under a long-term operating lease to explore and produce minerals from the Oro Amigo patented claims. The extendible lease expires August 12, 2017. Under the terms of the lease, the Company must make monthly advance royalty payments of U.S.\$500 (Cdn\$770) until August 12, 2005. The monthly payment increases to U.S.\$5,000 (Cdn\$7,700) thereafter, unless production of minerals commences. 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 signed a long-term extendible operating lease with one of the 50% owners on the Boss patented claims in Nevada, to be used for gold exploration and development. The lease expires January 2, 2018, the monthly advance royalty payments for which are U.S.\$750 (CDN \$1,155) until January 2, 2004, U.S.\$1,000 (CDN \$1,540) until January 2, 2004, and U.S.\$1,500 (CDN \$2,310) thereafter, 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.

In addition, 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, expiring June 2, 2018. The lease agreement requires a U.S.\$750 (CDN \$1,155) per month advance royalty payment until June 2, 2004, U.S.\$1,000 (CDN \$1,540) per month until June 2, 2004, and U.S.\$1,500 (CDN \$2,310) per month 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.

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. 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.

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Years ended December 31, 2004 and 2003

3. Mineral properties (continued):

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

2005	\$ 72,500
2006	121,200
2007	121,200
2008	121,200
2009	121,200

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. The Company attained an assignment from 397405 Alberta Ltd. of the right to earn a 90% working interest in the Gordon Lake property and 100% of 397405 Alberta Ltd.'s interest in seven contiguous mineral claims. 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 (see extension below); and
2. issuing 600,000 common shares of the Company as follows:
 - (a) 100,000 common shares, plus \$40,000 in cash.
 - (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.

On December 6, 2004, 397405 Alberta Ltd. granted the Company an extension for the exploration expenditure of the minimum of \$250,000 to have been spent on the Gordon Lake property by the end of December 2004, until February 28, 2005. The 10% interest holder has 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 U.S.\$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 Consolidated Financial Statements, Page 8

Years ended December 31, 2004 and 2003

4. 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:

	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
Issued for cash, private placement	800,000	80,000
Issued for cash, flow-through	1,895,000	236,875
Exercise of Warrants	2,229,800	334,470
Exercise of Agent's Options	322,000	38,640
Options Exercised 18,000	150,000	
Share issuance costs	—	(28,563)
Balance, December 31, 2004	19,280,680	\$ 1,672,511

During 2004, the Company completed a flow-through share offering comprised of 1,895,000 Units priced at \$0.125 per Unit for gross proceeds of \$236,875. Each Unit consists of one flow-through common share and one-half of one flow-through common share purchase warrant. One full flow-through purchase warrant is exercisable at \$0.20 into one additional flow-through common share until December 2, 2005.

As at December 31, 2004, the Company is required to incur qualified expenditures in respect of the flow-through financing in the amount of \$236,875 prior to December 31, 2005.

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Years ended December 31, 2004 and 2003

4. Share capital (continued):

(b) Issued (continued):

During 2004 the Company completed a private placement of 800,000 units of the Company at a price of \$0.10 per unit for gross proceeds of \$80,000. Each unit being comprised of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase of one additional common share at \$0.15 by October 8, 2005, and \$0.20 by October 8, 2006.

On September 29, 2003 the Company completed an offering of 5,500,000 units at a price of \$0.12 per unit for aggregate gross proceeds of \$660,000. Each unit consisted of one common share and a one-half of one common share purchase warrant. One whole warrant entitles the holder to acquire one common share at an exercise price of \$0.15 until March 29, 2004, and at an exercise price of \$0.25 until September 29, 2004. The agent was also granted an option to purchase 550,000 units at an exercise price of \$0.12 per unit until March 29, 2005.

On November 4, 2003, the Company completed a private placement of 1,230,000 units at a price of \$0.20 per unit for total gross proceeds of \$246,000. Each unit consisted of one common share and one half common share purchase warrant, with each full warrant exercisable into one additional common share at a price of \$0.25 per unit until November 29, 2005. A director of the Company purchased 200,000 units of this private placement. As at December 31, 2004 there were a total of 2,095,000 warrants outstanding.

	2004	2003
Outstanding, beginning of year	3,340,000	-
Issued	1,416,000	3,640,000
Exercised	(2,229,800)	(299,700)
Expired	(431,500)	-
Outstanding, end of year	2,095,000	3,340,300

Warrants Outstanding at December 31, 2004:

	Expiry	Price	Number
Agent warrants	March 29, 2005	\$ 0.15	64,000 (expired)
Private placement	November 28, 2005	\$ 0.25	615,000
Private placement	October 2, 2005	\$ 0.15	400,000
	October 2, 2006	\$ 0.20	
Flow-through	December 2, 2005	\$ 0.20	947,000
Agents warrants on flow-through	December 2, 2005	\$ 0.125	68,500

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Years ended December 31, 2004 and 2003

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Years ended December 31, 2004 and 2003

4. Share capital (continued):

(b) Issued (continued):

As at December 31, 2004, a total of 2,812,802 common shares were held in escrow, to be released in equal tranches at six-month intervals commencing April 14, 2005.

Agent options and warrants were issued at option prices of \$0.12 to \$0.25. The Company has used the Black-Scholes option-pricing model with the following assumptions: risk free interest rate of 3% to 4%, expected life of 1.0 to 1.5 years and average expected volatility of 40%. An amount of \$39,832 was determined to be the fair value of the warrants and has been included in share capital and \$18,384 was determined to be the fair value of the agents options and has been recorded to contributed surplus.

(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. The options granted vest upon granting, are non-transferable and expire after five years.

	2004		2003	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	900,000	\$ 0.12	-	\$ -
Granted	650,000	0.21	900,000	0.12
Exercised	(150,000)	0.12	-	-
Expired or cancelled	-	-	-	-
Outstanding, end of year	1,400,000	\$ 0.16	900,000	\$ 0.12
Exercisable, end of year	1,400,000	\$ 0.16	900,000	\$ 0.12

Exercise Price	Options Outstanding		Options Exercisable	
	Number outstanding	Weighted Average Remaining Contractual Life (years)	Number exercisable	Exercise Price
\$ 0.12	750,000	3.67	750,000	\$ 0.12
0.15	250,000	1.84	250,000	0.15
0.25	400,000	3.92	400,000	0.25
	1,400,000		1,400,000	\$ 0.16

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Years ended December 31, 2004 and 2003

4. Share capital (continued):

(c) Share options (continued):

During 2004 250,000 options were granted to an investors relations company at an exercise price of \$0.15 and expire on November 2, 2006.

(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 year ended December 31, 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 (2003 - \$44,519) has been determined based upon the fair value of employee options granted since January 1, 2003 and recorded to contributed surplus.

(e) Per share amounts:

In computing loss per share, options and warrants totaling 3,606,820 shares (2003 - 4,674,120) were excluded from the dilution calculation, as they were anti-dilutive. The weighted average number of common shares outstanding for the year ended December 31, 2004 was 16,206,060 (2003 - 7,819,128).

5. Contributed surplus:

	2004	2003
Balance, beginning of year	\$ 62,894	\$ -
Options granted	43,962	62,894
Options exercised	(46,372)	-
Balance, end of year	\$ 60,484	\$ 62,894

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Years ended December 31, 2004 and 2003

6. Income taxes:

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to net loss for the year. The major components of these differences are explained as follows:

	2004	2003
Net loss for the year	\$ (369,651)	\$ (187,464)
Corporate income tax rate	39.6%	40.6%
Expected future income tax recovery	\$ (146,382)	\$ (76,148)
Increase (decrease) in future income taxes resulting from:		
Change in corporate tax rates	-	328
Resource allowance	22,932	14,782
Stock based compensation	16,320	18,080
Valuation allowance	108,156	41,895
Other	(1,026)	1,063
	\$ -	\$ -

The Company has non-capital losses in Canada of approximately \$514,000 available to reduce future taxable income, expiring commencing in 2010, the benefit of which has not been recognized in these financial statements.

The components of the net future income tax asset are as follows:

	2004	2003
Future income tax assets (liabilities):		
Furniture and equipment	\$ 478	\$ 115
Share issue costs	(38,585)	(4,808)
Mineral properties	-	(13,018)
Non-capital losses	198,605	70,555
Tax benefit of other assets not utilized	2,895	
2,393		
Valuation allowance	(163,393)	(55,237)
	\$ -	\$ -

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Years ended December 31, 2004 and 2003

7. Related party transactions:

During the year ended December 31, 2004, the Company paid the president of the Company \$60,000 for management fees (2003 - \$47,000). These costs were charged to management fees expense. At December 31, 2004, accounts payable and accrued liabilities included \$nil (2003 - \$1,443) relating to such services.

During the year ended December 31, 2004, the Company paid a company owned by a director and shareholder of the Company, \$6,938 (2003 - \$7,853) for exploration services provided and expenses incurred on behalf of the Company. These costs were capitalized as exploration expenditures. At December 31, 2004, accounts payable and accrued liabilities included \$nil (2003 - \$nil) relating to such services.

During the year ended December 31, 2004, the Company paid \$40,000 to a director and shareholder of the Company as the initial cash consideration in the acquisition of the Gordon Lake property (note 3).

During the year ended December 31, 2004 and 2003, the Company paid to a shareholder of the Company, \$2,350 and \$nil, respectively, for exploration services provided to the Company. These costs were capitalized as exploration expenditures. At December 31, 2004, accounts payable and accrued liabilities included \$nil (2003 - \$nil) relating to such services.

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.

8. 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.

9. Subsequent events:

In January 2005 the Company signed a lease agreement with private patented claim owners on property held in Nevada. The Company signed a fifteen year lease agreement whereby the Company can control 100% of the property by making graduated lease payment of U.S.\$5,000 (CDN\$6,250) on signing (paid) and the first anniversary, U.S.15,000 (CDN\$18,750) on the second through the fourth anniversary, and U.S.\$20,000 (CDN\$25,000) annually thereafter. The landowners will also retain a 5% Net Smelter Royalty (NSR). The Company has a purchase option whereby the property can be acquired for U.S.\$500,000 (CDN\$625,000) at anytime, including the NSR.