

Unaudited Interim Consolidated Financial Statements of

**BOXXER GOLD CORP.**

Periods ended June 30, 2005 and 2004

The accompanying unaudited interim consolidated financial statements of Boxxer Gold Corp. for the quarter ended June 30, 2005 have been prepared by management and approved by the audit committee. These statements have not been reviewed by the Company's external auditors.

August 19, 2005

(Signed) "Colin B. Christensen"

President and Chief Executive Officer

(Signed) "Brian C. Harder"

Chief Financial Officer

# BOXXER GOLD CORP.

Interim Consolidated Balance Sheets

	June 30, 2005 (unaudited)	December 31, 2004 (audited)
<b>Assets</b>		
Current assets:		
Cash	\$ 32,513	\$ 228,849
Accounts receivable	35,928	47,340
	<u>68,441</u>	<u>276,189</u>
Furniture and equipment	2,867	3,185
Mineral properties (note 4)	1,327,696	1,038,811
	<u>\$ 1,399,004</u>	<u>\$ 1,318,185</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 132,539	\$ 139,628
Shareholders' equity:		
Share capital (note 5)	1,883,574	1,672,511
Contributed surplus (note 5)	104,107	104,107
Deficit	(721,216)	(598,061)
	<u>1,266,465</u>	<u>1,178,557</u>
Future operations (note 1)		
Commitments (notes 3 and 4)		
	<u>\$ 1,399,004</u>	<u>\$ 1,318,185</u>

See accompanying notes to interim consolidated financial statements.

On behalf of the Board:

(Signed) "Colin Byrne Christensen" Director

(Signed) "William Truman Kilbourne" Director

# BOXXER GOLD CORP.

## Interim Consolidated Statements of Operations and Deficit

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Expenses:				
Management fees	\$ 15,000	\$ 15,000	\$ 30,000	\$ 30,000
General and administrative	51,729	91,967	92,837	238,945
Depreciation	160	207	319	415
Net loss for the period	66,889	107,174	123,155	269,360
Deficit, beginning of period	654,327	390,596	598,061	228,410
Deficit, end of period	\$ 721,216	\$ 497,770	\$ 721,216	\$ 497,770
Loss per share - basic and diluted (note 4(e))	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.02)

See accompanying notes to interim consolidated financial statements.

# BOXXER GOLD CORP.

## Interim Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Cash provided by (used in):				
Operations:				
Net loss for the period	\$ (66,889)	\$ (107,174)	\$ (123,155)	\$ (269,360)
Non-cash items:				
Depreciation	160	207	319	415
Stock-based compensation	-	-	-	41,213
Change in non-cash working capital	13,458	(5,810)	12,763	(14,378)
	(53,271)	(112,777)	(110,073)	(242,110)
Financing:				
Issue of share capital for cash, net	-	-	211,063	353,310
Investments:				
Addition to mineral properties	(10,323)	(254,298)	(288,885)	(503,316)
Change in non-cash working capital	(89,875)	320,854	(8,441)	362,556
	(100,198)	66,556	(297,626)	(140,760)
Change in cash	(153,469)	(46,221)	(196,337)	(29,560)
Cash, beginning of period	185,982	58,237	228,849	41,576
Cash, end of period	\$ 32,513	\$ 12,016	\$ 32,513	\$ 12,016
Interest received	\$ -	\$ 595	\$ -	\$ 3,997

See accompanying notes to interim consolidated financial statements.

# BOXXER GOLD CORP.

Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2005 and 2004

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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, 2005, the Company had working capital deficit of \$64,098, had incurred a net loss of \$123,155 and had an accumulated deficit of \$721,216. 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.

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Six months ended June 30, 2005 and 2004

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## 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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Six months ended June 30, 2005 and 2004

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## 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 Interim Consolidated Financial Statements, Page 4

Six months ended June 30, 2005 and 2004

### 3. Mineral properties:

	Balance at December 31, 2004	Additions	Balance at June 30, 2005
Property acquisition	\$ 40,000	\$ 31,000	\$ 71,000
Staking and filing fees	81,813	252	82,065
Lease payments	69,835	17,469	87,304
Geological services	503,389	17,428	520,817
Geophysical services	94,979	357	95,336
Drilling	202,620	222,379	424,999
Assay analysis	46,175	-	46,175
	<u>\$ 1,038,811</u>	<u>\$ 288,885</u>	<u>\$ 1,327,696</u>

  

	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>

# BOXXER GOLD CORP.

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Six months ended June 30, 2005 and 2004

### 3. Mineral properties (continued):

Expenditure by property:

	Balance at December 31, 2004	Additions	Balance at June 30, 2005
Gordon Lake (Canadian property):			
Property acquisition	\$ 40,000	\$ 31,000	\$ 71,000
Geophysical Services	65,000	357	65,357
Drilling	30,000	222,379	252,379
Geological services	20,990	2,764	23,754
	155,990	256,500	412,490
Boss (United States property):			
Staking and filing fees	81,813	252	82,065
Lease payments	69,835	17,469	87,304
Geological services	482,399	14,664	497,063
Geophysical services	29,979	-	29,979
Drilling	172,620	-	172,620
Assay analysis	46,175	-	46,175
	882,821	32,385	915,206
<b>Total</b>	<b>\$ 1,038,811</b>	<b>\$ 288,885</b>	<b>\$ 1,327,696</b>

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, Hogle, and Robbins patents) claims and 149 unpatented mining lode claims located in Nevada. The land position as at June 30, 2005 covers an area of approximately 3,100 acres.

During the first quarter the Company added an additional 20 acres of exploration ground to its Boss property by signing a 15-year lease agreement with the owners of the Yellowhorse patented claims (the Robbins lease). The Yellowhorse patent is located on the eastern boundary of the property and hosts much of the gold mineralization recently identified by the Company. Terms of the Agreement call for Boxxer to make graduated annual lease payments to the landowners of US\$5,000 upon signing (paid) and the first anniversary of the agreement; US\$15,000 annually from the second to fourth anniversary date; and US\$20,000 annually thereafter. The Agreement also calls for the Company to pay a net smelter royalty (NSR) of 5%. The Company also has an option to purchase the property, including the NSR, for US\$500,000.

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Six months ended June 30, 2005 and 2004

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### 3. Mineral properties (continued):

The Company leases the Oro Amigo patented claims in Nevada (the Oro Amigo lease) 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% NSR on production, or a payment of U.S.\$5,000 per month, whichever is greater. Prior to the end of the June 30, 2005 period, the company re-negotiated the payment terms under the terms of the original lease to US\$750 per month, from US\$5,000 per month, for the next two years ending August 12, 2007. The original payment terms will come into force at that time.

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 (the Boss lease) 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% NSR. 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 (the Boss lease), 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% NSR, 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 Hogle lease). 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 of 4% NSR 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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Six months ended June 30, 2005 and 2004

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### 3. Mineral properties (continued):

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

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2005	\$ 33,900
2006	50,400
2007	98,700
2008	112,800
2009	112,800

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#### *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 \$250,000 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. As at March 31, 2005 the required minimum expenditure had been made. According to the agreement with the vendor of the Gordon Lake property, on completion of the first program of exploration a \$31,000 cash payment to the vendor has been accounted for, and 250,000 common shares will be issued to the vendor in due course. 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.

# BOXXER GOLD CORP.

Notes to Interim Consolidated Financial Statements, Page 8

Six months ended June 30, 2005 and 2004

## 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, 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	150,000	18,000
Share issuance costs	—	(28,563)
Balance, December 31, 2004	19,280,680	1,672,511
Issued for cash, private placement	2,200,000	220,000
Share issue costs	—	(8,937)
Balance, June 30, 2005	21,480,680	\$ 1,883,574

During the six month period ending June 30, 2005, the Company completed a private placement of 2,200,000 units at a price of \$0.10 per unit for gross proceeds of \$220,000. Each unit consisted of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at \$0.15 by February 28, 2006, and \$0.20 by February 28, 2007.

As at June 30, 2005, the Company had incurred qualified expenditures in respect of the flow-through financing completed in the fourth quarter 2004 in the amount of \$236,875.

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Six months ended June 30, 2005 and 2004

## 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 June 30, 2005 there were a total of 3,131,000 warrants outstanding.

	2005	2004
Outstanding, beginning of year	2,095,000	3,340,300
Issued	1,100,000	1,416,000
Exercised	-	(2,229,800)
Expired	(64,000)	(431,500)
Outstanding, end of period	3,131,000	2,095,000

### *Warrants Outstanding at June 30, 2005:*

	Expiry	Price	Number
Private placement	November 29, 2005	\$ 0.25	615,000
Private placement	October 8, 2005	\$ 0.15	400,000
	October 8, 2006	\$ 0.20	
Flow-through	December 2, 2005	\$ 0.20	947,500
Agents warrants on flow-through	December 2, 2005	\$ 0.125	68,500
Private placement	February 28, 2007	\$ 0.20	1,100,000

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Notes to Interim Consolidated Financial Statements, Page 10

Six months ended June 30, 2005 and 2004

## 4. Share capital (continued):

### (b) Issued (continued):

As at June 30, 2005, a total of 2,109,603 common shares were held in escrow, to be released in equal tranches at six-month intervals commencing October 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.

	2005		2004	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	1,400,000	\$ 0.16	900,000	\$ 0.12
Granted	-	-	650,000	0.21
Exercised-	-	(150,000)		0.12
Expired or cancelled	-	-	-	-
Outstanding, end of period	1,400,000	\$ 0.16	1,400,000	\$ 0.16
Exercisable, end of period	1,400,000	\$ 0.16	1,400,000	\$ 0.16

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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Six months ended June 30, 2005 and 2004

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## 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 \$Nil (2004 - \$41,213) 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 4,259,861 shares (2004 – 3,680,178) were excluded from the dilution calculation, as they were anti-dilutive. The weighted average number of common shares outstanding for the period ended June 30, 2005 was 20,763,553 (2004 – 15,195,675).