

PALLADON VENTURES LTD.
INTERIM FINANCIAL STATEMENTS

August 31, 2004

(Unaudited – See Notice to Reader)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2004 AND 2003 HAVE NOT BEEN REVIEWED OR AUDITED BY THE COMPANY'S AUDITORS.

TERRY AMISANO LTD.
KEVIN HANSON, CA

AMISANO HANSON
CHARTERED ACCOUNTANTS

NOTICE TO READER

We have compiled the interim balance sheet of Palladon Ventures Ltd. as at August 31, 2004 and the interim statements of operations and deficit and cash flows for the three and six month periods then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Vancouver, Canada
October 22, 2004

“AMISANO HANSON”
Chartered Accountants

PALLADON VENTURES LTD.
INTERIM BALANCE SHEET
August 31, 2004 and February 29, 2004
(Unaudited – See Notice to Reader)

	<u>August 31,</u> <u>2004</u>	<u>February 29,</u> <u>2004</u>
<u>ASSETS</u>		
Current		
Cash and cash equivalents	\$ 2,655,613	\$ 5,568,912
GST receivable	15,633	5,551
Prepaid expenses	9,183	9,358
Due from related party – Note 5	3,831	-
Current portion of loans receivable – Note 3	<u>1,148,552</u>	<u>1,165,006</u>
	3,832,812	6,748,827
Loans receivable – Note 3	582,502	-
Deferred finance charge – Notes 6 and 7	54,332	96,416
Capital assets	44,246	448
Resource properties – Note 4 and Schedule I	<u>3,484,781</u>	<u>1,058,651</u>
	<u>\$ 7,998,673</u>	<u>\$ 7,904,342</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities – Notes 3 and 5	\$ 96,775	\$ 132,009
Due to related party – Note 5	<u>-</u>	<u>94,414</u>
	96,775	226,423
Convertible debentures – Note 6	<u>734,250</u>	<u>1,068,000</u>
	<u>831,025</u>	<u>1,294,423</u>
<u>SHAREHOLDERS' EQUITY</u>		
Share capital – Notes 6, 7 and 9	14,949,164	13,799,728
Contributed surplus	14,695	14,695
Deficit	<u>(7,796,211)</u>	<u>(7,204,504)</u>
	<u>7,167,648</u>	<u>6,609,919</u>
	<u>\$ 7,998,673</u>	<u>\$ 7,904,342</u>

Subsequent Events – Notes 4 and 9

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
for the three and six months August 31, 2004 and 2003
(Unaudited – See Notice to Reader)

	Three months ended August 31,		Six months ended August 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Administrative Expenses				
Amortization	\$ 1,922	\$ 176	\$ 3,741	\$ 237
Bank charges	540	2,277	859	2,455
Interest	20,929	20,000	59,285	20,000
Management fees – Note 5	54,364	19,890	194,792	35,956
Marketing	9,935	-	100,681	-
Office and administration	27,634	15,514	30,573	22,506
Professional fees	25,461	11,437	44,229	25,326
Rent – Note 5	8,418	-	9,618	6,000
Shareholder information	27,960	-	27,960	-
Telephone	7,448	-	11,480	-
Transfer agent and filing fees	9,027	6,308	21,352	18,304
Travel and promotion	<u>81,149</u>	<u>18,267</u>	<u>157,303</u>	<u>41,356</u>
Loss before other items:	(274,787)	(93,869)	(661,873)	(172,140)
Interest income	52,820	170	122,457	497
Gain (loss) on foreign exchange	<u>(173,292)</u>	<u>(5,037)</u>	<u>(52,291)</u>	<u>8,515</u>
Net loss for the period	(395,259)	(98,736)	(591,707)	(163,128)
Deficit, beginning of the period	<u>(7,400,952)</u>	<u>(6,683,697)</u>	<u>(7,204,504)</u>	<u>(6,619,305)</u>
Deficit, end of the period	<u>\$ (7,796,211)</u>	<u>\$ (6,782,433)</u>	<u>\$ (7,796,211)</u>	<u>\$ (6,782,433)</u>
Basic and diluted loss per share	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM STATEMENTS OF CASH FLOWS
for the three and six months August 31, 2004 and 2003
(Unaudited – See Notice to Reader)

	Three months ended August 31,		Six months ended August 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Cash flow used in Operating Activities				
Net loss for the period	\$ (395,259)	\$ (98,736)	\$ (591,707)	\$ (163,128)
Items not affecting cash				
Amortization	1,922	176	3,741	237
Deferred finance charge	6,163	-	42,084	-
Unrealized foreign exchange loss (gain)	<u>17,193</u>	<u>-</u>	<u>(76,903)</u>	<u>-</u>
	(369,981)	(98,560)	(622,785)	(162,891)
Changes in non-cash working capital items:				
Increase in GST receivable	(6,482)	(4,173)	(10,082)	(6,177)
Decrease (increase) in prepaid expenses	(4,552)	495	175	1,133
Decrease in accounts payable and accrued liabilities	<u>(11,567)</u>	<u>(16,579)</u>	<u>(35,234)</u>	<u>(14,090)</u>
Cash used in operating activities	<u>(392,582)</u>	<u>(118,817)</u>	<u>(667,926)</u>	<u>(182,025)</u>
Cash flows from Investing Activities				
Acquisition of capital assets	(3,345)	-	(47,539)	-
Increase in resource property costs	(1,138,691)	(257,956)	(2,426,130)	(340,945)
Loans receivable	<u>105,660</u>	<u>-</u>	<u>(489,145)</u>	<u>-</u>
Cash used in investing activities	<u>(1,036,376)</u>	<u>(257,956)</u>	<u>(2,962,814)</u>	<u>(340,945)</u>

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SEE ACCOMPANYING NOTES

Continued

PALLADON VENTURES LTD.
INTERIM STATEMENTS OF CASH FLOWS
for the three and six months August 31, 2004 and 2003
(Unaudited – See Notice to Reader)

Cash flows from Financing Activities				
Deferred financing charge	-	16,916	-	-
Advances from related parties	(64,445)	(80,224)	(98,245)	(50,708)
Increase in loan payable	-	-	-	100,000
Issuance of shares for cash	<u>733,104</u>	<u>876,706</u>	<u>815,686</u>	<u>935,456</u>
 Cash provided by financing activities	 <u>668,659</u>	 <u>813,398</u>	 <u>717,441</u>	 <u>984,748</u>
 Change in cash during the period	 (760,299)	 436,625	 (2,913,299)	 461,778
 Cash and cash equivalents, beginning of the period	 <u>3,415,912</u>	 <u>34,064</u>	 <u>5,568,912</u>	 <u>8,911</u>
 Cash and cash equivalents, end of the period	 <u>\$ 2,655,613</u>	 <u>\$ 470,689</u>	 <u>\$ 2,655,613</u>	 <u>\$ 470,689</u>
 Supplemental disclosure of cash flow information:				
Cash paid for:				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Non-cash Transaction – Note 8

SEE ACCOMPANYING NOTES

SCHEDULE I

PALLADON VENTURES LTD.
RESOURCE PROPERTIES
for the six months ended August 31, 2004

	Argentina						USA		August 31, 2004 <u>Total</u>	February 29, 2004 <u>Total</u>
	<u>Choique La Brecha</u>	<u>Gran Bajo</u>	<u>Laguna Guadalosa</u>	<u>Tres Hermanas</u>	<u>Rio Deseado</u>	<u>Other</u>	<u>Utah</u>	<u>Genesis Gold</u>		
Acquisition costs										
Balance beginning	\$ 40,953	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 70,000	\$ -	\$ -	\$ 250,953	\$ -
Costs:										
Shares issued	-	-	-	-	-	-	-	-	-	210,000
Cash paid	<u>290,795</u>	<u>-</u>	<u>-</u>	<u>54,530</u>	<u>47</u>	<u>54,596</u>	<u>495,715</u>	<u>-</u>	<u>895,683</u>	<u>40,953</u>
Balance ending	<u>331,748</u>	<u>35,000</u>	<u>35,000</u>	<u>89,530</u>	<u>35,047</u>	<u>124,596</u>	<u>495,715</u>	<u>-</u>	<u>1,146,636</u>	<u>250,953</u>
Exploration expenditures										
Claim fees	-	-	-	-	-	-	162,838	-	162,838	273,167
Geological consulting	209,609	-	-	6,061	1,556	42,795	234,764	24,865	519,650	207,043
Field costs	28,012	-	-	-	9,615	124,448	370,938	-	533,013	-
Miscellaneous	7,353	368	228	685	2,410	24,007	217,108	-	252,159	25,995
Salaries and wages	-	-	-	-	-	-	-	-	-	66,988
Travel	<u>6,636</u>	<u>335</u>	<u>448</u>	<u>11,865</u>	<u>5,064</u>	<u>11,455</u>	<u>26,984</u>	<u>-</u>	<u>62,787</u>	<u>35,527</u>
	251,610	703	676	18,611	18,645	202,705	1,012,632	24,865	1,530,447	608,720
Balance, beginning	<u>99,591</u>	<u>34,102</u>	<u>271,037</u>	<u>190,827</u>	<u>70,845</u>	<u>32,694</u>	<u>108,602</u>	<u>-</u>	<u>807,698</u>	<u>198,978</u>
Balance, ending	<u>351,201</u>	<u>34,805</u>	<u>271,713</u>	<u>209,438</u>	<u>89,490</u>	<u>235,399</u>	<u>1,121,234</u>	<u>24,865</u>	<u>2,338,145</u>	<u>807,698</u>
Total	<u>\$ 682,949</u>	<u>\$ 69,805</u>	<u>\$ 306,713</u>	<u>\$ 298,968</u>	<u>\$ 124,537</u>	<u>\$ 359,995</u>	<u>\$1,616,949</u>	<u>\$ 24,865</u>	<u>\$ 3,484,781</u>	<u>\$ 1,058,651</u>

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
August 31, 2004
(Unaudited – See Notice to Reader)

Note 1 Interim Reporting

While the information presented in the accompanying interim financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim period presented. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the company's audited February 29, 2004 financial statements. Except as noted below, these statements follow the same accounting policies and methods of their application as the company's audited February 29, 2004 annual financial statements.

Note 2 Change in Accounting Policy

Stock-based Compensation Plan

In January 2004, the Company adopted the amended CICA Handbook Section 3870 – “Stock-based Compensation and Other Stock-based Payments”. This change in accounting policy has been applied retroactively with no restatement of prior periods presented for the statements of operations and deficit and cash flows.

Under this amended standard, the Company must account for compensation expense based on the fair value of rights granted under its stock-based compensation plan. Under this method, compensation costs attributable to share options granted to employees or directors is measured at fair value at the grant date, and expensed over the expected exercise time from with a corresponding increase to contributed surplus. Upon exercise of stock options, consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

Previously, the Company accounted for stock-based compensation using the settlement method. No compensation costs were recorded in the financial statements for stock options granted as the options had no intrinsic value at the date of grant. Consideration paid by employees on the exercise of stock options and purchase of stock is credited to share capital.

Note 3 Loans receivable

	August 31, <u>2004</u>	February 29, <u>2004</u>
Loan receivable of US\$800,000 with interest at 12% per annum due on November 20, 2004, secured by real property located in Utah, USA	\$ 1,148,552	\$ 1,082,924
Loan receivable of US\$416,266 with interest at 12% per annum, unsecured with no payment terms.	582,502	-
Loan receivable of US\$60,000 with interest at 12% per annum, unsecured with no payment terms	-	<u>82,082</u>
	1,731,054	1,165,006
Current portion	<u>(1,148,552)</u>	<u>(1,165,006)</u>
	<u>\$ 582,502</u>	<u>\$ -</u>

Note 4 Resource Properties

Argentina

- a) By agreement dated October 1, 2002, and amended April 11, 2003, the Company entered into an option agreement with Deseado LLC (“Deseado”) to earn up to a 51% interest in approximately 100,000 hectares of mineral properties located in the Santa Cruz, Rio Negro and Chubut provinces of Argentina. Deseado has a director in common with the Company.

As consideration for the option, the Company issued 600,000 shares at \$0.30 per share and is required to issue up to 1,200,000 shares as expenditures are completed. The Company also issued 100,000 shares at \$0.30 per share for finder’s fees. The properties are divided into two groups with expenditure requirements as follows:

Laguna Guadalosa Property Group

- US\$30,000 on or before March 31, 2003 (paid);
- An additional US\$270,000 on or before March 31, 2004 (paid)

All other properties

- US\$40,000 on or before April 30, 2003 (paid)
- An additional US\$160,000 on or before March 31, 2004 (paid)

Note 4 Resource Properties – (cont'd)

Argentina – (cont'd)

- b) By agreement dated July 30, 2003, the Company entered into an option agreement to acquire up to a 70% interest in approximately 8,717 hectares of mineral properties known as the Cerro Choique and La Brecha properties located in Rio Negro province, Argentina. Consideration for the first 50% is US\$30,000 (paid) and exploration expenditures on Cerro Choique of US\$30,000 (paid) by January 31, 2004 and US\$270,000 (paid) by November 30, 2004, and on La Brecha US\$40,000 (paid) by June 30, 2004 and US\$60,000 (paid) by January 31, 2005. An additional 20% can be earned by further expenditures of US\$1.9 million. A finder's fee of 75,000 shares has agreed to be paid. This agreement is subject to regulatory approval.
- c) By agreement dated March 19, 2004, the Company entered into an option agreement to acquire a 100% interest in approximately 830 hectares known as the Rodino property located in Argentina. Consideration payable is US\$500,000 of which US\$40,000 (paid) is due on signing with the balance due over four years. This option agreement is subject to regulatory approval.

USA

- a) The Company has entered into an option agreement dated November 20, 2003 to acquire a 50% interest in approximately 40,000 acres of mineral rights located in Beaver County, Utah. As consideration the Company will update and finalize a feasibility study and expend up to US\$4,000,000 over five years with a minimum of US\$120,000 to be spent in the first year. Any property in the new exploration areas in which a feasibility study has been completed, the Company shall have the right to a 65% interest.
- b) On May 7, 2004, the Company entered into an option agreement for the right to acquire a 100% interest in five mineral exploration properties covering 5,480 acres in Utah and Nevada in consideration for 250,000 common shares (issued subsequent to August 31, 2004) and a further 1,300,000 shares in stages on or before the third anniversary.

Note 5 Related Party Transactions

- a) For the six months ended August 31, 2004, the Company incurred and accrued management fees of \$194,792 to directors and officers of the Company (2003: \$35,956) and rent of \$2,400 (2003: \$6,000) to a director of the Company.
- b) Included in accounts payable as at August 31, 2004 is \$23,927 (February 29, 2004: \$9,243) due to related parties.

Note 5 Related Party Transactions – (cont'd)

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

These transactions were in the normal course of operations and were measured at the exchange value.

Note 6 Convertible Debentures

Convertible debentures payable of \$734,250 (February 29, 2004: \$1,068,000) with interest at 8% per annum due November 20, 2006 are unsecured. As at August 31, 2004, accrued interest of \$45,740 (February 29, 2004: \$9,571) is included in accounts payable. The principal amount and accrued interest outstanding can be converted into units at a conversion price of \$0.69 per unit if converted by November 20, 2005 or \$0.76 per unit if converted before November 20, 2006. Each unit will consist of one common share and one-half share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at \$0.86 per share for two years.

The Company issued 154,782 common shares at \$0.69 per share as a finder's fee. The amount of \$106,800 has been deferred and is being amortized over the life of the debenture. Amounts not yet amortized will be charged to share capital upon conversion.

During the six months ended August 31, 2004, the Company issued 498,220 shares on conversion of \$343,772 of the debentures and accrued interest.

Note 7 Share Capital

Authorized

Unlimited common shares without par value
Unlimited class A preference shares without par value

Issued		Number of of Shares	Amount
Balance, February 28, 2003		4,000,244	\$ 6,630,163
For cash:			
– pursuant to exercise of warrants	– at \$0.25	235,000	58,750
	– at \$0.30	261,500	78,450
– pursuant to brokered private placements	– at \$0.25	4,626,000	1,156,500
	– at \$0.70	7,959,178	5,571,425
– brokerage firm shares		399,215	-
Less: share issue costs		-	(400,472)
– pursuant to private placements	– at \$0.27	833,333	222,900
	– at \$0.70	220,000	153,212
Pursuant to resource property option agreement	– at \$0.30	600,000	180,000
Pursuant to loan agreement	– at \$0.30	40,000	12,000
Pursuant to resource property agreement	– at \$0.30	100,000	30,000
Pursuant to convertible debenture finder's fee	– at \$0.69	<u>154,782</u>	<u>106,800</u>
Balance, February 29, 2004		19,429,252	13,799,728
For cash:			
– pursuant to exercise of warrants	– at \$0.30	2,782,180	834,654
Pursuant to conversion of convertible debenture	– at \$0.69	498,220	343,772
Less: share issue costs related to convertible debenture		<u>-</u>	<u>(28,990)</u>
Balance, August 31, 2004		<u>22,709,652</u>	<u>\$ 14,949,164</u>

Escrow Shares

As at August 31, 2004, 37,500 (February 29, 2004: 37,500) common shares are held in escrow subject to direction for their release by regulatory authorities.

Note 7 Share Capital – (cont'd)

Commitments

No share purchase options were granted or exercised during the six months ended August 31, 2004 and 2003. Share purchase options outstanding as at August 31, 2004 are as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
700,000	\$0.45	September 9, 2008
<u>150,000</u>	\$0.80	November 26, 2008
<u>850,000</u>		

Share Purchase Warrants

As at August 31, 2004, the Company had 7,904,159 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,216,200	\$0.30/\$0.50	September 12, 2004/2005
833,333	\$0.36	September 29, 2004
4,194,196	\$0.80	February 27, 2005
1,411,320	\$0.30/\$0.50	July 31, 2005/2006
<u>249,110</u>	\$0.86	April 26, 2006
<u>7,904,159</u>		

Note 8 Non-cash Transaction

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the cash flow statements. During the six months ended August 31, 2003, the following transaction was excluded from the statement of cash flows:

- The Company issued 448,220 shares at \$0.69 per share pursuant to the conversion of convertible debentures.

Note 9 Subsequent Events

Subsequent to August 31, 2004:

- a) The Company issued 1,171,340 common shares at \$0.30 per share pursuant to the exercise of warrants.
- b) The Company granted 350,000 stock options to directors and officers of the Company subject to regulatory approval. Each option will allow the holder to purchase one common share for \$0.70 per share for a period of five years.
- c) The Company granted 140,000 stock options to employees of the Company subject to regulatory approval. Each option will allow the holder to purchase one common share for \$0.50 per share for a period of five years.

Note 10 Financial Instruments

- a) Credit risk:

For loans receivable, the Company estimates, on a continuing basis, the probable losses, and provides a provision for losses based on the estimated realizable value.

- b) Foreign currency risk:

The Company is exposed to fluctuations in foreign currencies through its operations in the United States and Argentina. The Company monitors this exposure, but has no hedge positions. As at August 31, 2004, cash and cash equivalents totalling \$2,028,505 (February 29, 2004: \$83,612) was held in US dollars and loans receivable totalling \$1,731,054 (February 29, 2004: \$1,165,006) were held in US dollars.

PALLADON VENTURES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
for the six months ending August 31, 2004

1.1 Date of Report: October 26, 2004

1.2 Overall Performance

The Company is in the business of acquiring, exploring, and if warranted developing mineral resource properties with a view to achieving commercial production.

The Company's primary assets consist of mineral rights on the 70,000 acre Western Utah Copper Project, near Milford, Utah, 5420 acres of gold projects in Utah and Nevada, and 130,000 hectares in the Deseado Massif and Somuncurah Massif regions of Patagonia, Argentina and the Tacalto Project in Northern Argentina.

Previous reports on The Western Utah Copper District have identified resources that include Copper, Gold, Silver, as well as significant amounts of Tungsten and Molybdenum. The District has been the subject of historic mining production dating to the 1870's with more recent exploration by companies such as Noranda, Anaconda, and Kennecott. The Company intends to perform additional exploration and evaluation work while updating and finalizing the existing feasibility study to verify the resources and reserves included in previous reports, in order to determine the economics of bringing a portion of the area into production.

The Deseado Massif and Somuncurah Massif regions of Patagonia in Argentina host multiple epithermal precious metal occurrences. The land package consists of six projects on which initial exploration has commenced at Laguna Guadalosa and Tres Hermanas, as well as the more recently-acquired Cerro Choique project. The Laguna Guadalosa project had already progressed to drill-ready status with activities planned for corresponding Argentine summers.

Discovering mineral deposits is dependent on a number of factors including the technical skill of the exploration team. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors including size, grade, and proximity to infrastructure, as well as metal prices. The more recent price appreciation of most metals has facilitated the increase in exploration budgets as well as improving access to investment capital.

During this period the Company achieved key business objectives. Since becoming a reporting issuer on July 31, 2003, the company successfully raised sufficient capital to acquire an option on an attractive mineral asset land package in Utah. (Western Utah Copper District) The Company focused its efforts in the final quarter of FY2003 on raising sufficient capital to commence and continue exploration activities in Utah and Argentina.

In April 2004 the Company commenced a drilling program in the Western Utah Copper District to expand areas of previously-identified reserves/resources at the Maria, Hidden Treasure, and Candy B target areas. The Company also began delineating the Valley Skarn and Comet Breccia Deposit Areas. Twenty-eight holes averaging 200 feet were planned, at intervals ranging between 50 to 100 meters. The Company also expanded the original claim block from 41,000 acres to 70,000 acres to include areas with known copper porphyry potential.

The first 4 drill holes at Hidden Treasure and first 3 at Maria all intercepted significant, near-surface copper mineralization, with gold, silver, molybdenum, and tungsten values.

In addition, the first 3 holes drilled at the Comet Breccia area all intercepted significant near-surface gold, silver, and copper mineralization. Surface mapping and geochemical studies were also initiated to further expand understanding of the area. Exploration continues to establish value in the district. During this period the company contracted former Gold Fields Senior Geologist Rick Russell to assist the Company in the Western Utah Copper District. The Company continued its exploration activities during the quarter and commenced an extensive 3D IP geophysics survey accompanied with ground magnetics to further delineate drill targets on the major areas of interest in discovering a large copper porphyry deposit.

In April the Company expanded the Argentine land position to 130,000 hectares with the addition of a 100% interest in the Rodino Property. The Company identified 3 different targets within the Tres Hermanas project, all of which have revealed through early stage analysis to host anomalous gold. Exploration will continue throughout the Argentine summer.

The Company plans to continue exploration work throughout the year in both hemispheres.

1.3 Selected Annual Information

The following financial data are selected information for the Company for the three most recently completed financial years:

	Years ended		
	February 29, <u>2004</u>	February 28, <u>2003</u>	February 28, <u>2002</u>
Total revenues	\$ -	\$ -	\$ -
Loss before discontinued operations and extraordinary items	\$ (585,199)	\$ (191,408)	\$ (212,856)
Basic and diluted loss per share before discontinued operations and extraordinary items	\$ (0.03)	\$ (0.07)	\$ (0.17)
Net loss	\$ (585,199)	\$ (191,408)	\$ (212,856)
Basic and diluted loss per share	\$ (0.03)	\$ (0.07)	\$ (0.17)
Total assets	\$ 7,904,342	\$ 215,328	\$ 61,113
Total long-term liabilities	\$ 1,068,000	\$ -	\$ -
Cash dividends per share	\$ -	\$ -	\$ -

1.4 Results of Operations

Quarter Ended August 31, 2004

Activities in the quarter were focused on exploration initiatives in Utah and Argentina. Administrative expenses during the quarter ending August 31, 2004 were \$274,787, as a result of increased travel requirements, professional fees, and marketing expenditures. Expenditures are expected to increase as the Company continues to engage in the exploration and evaluation of mineral properties.

Year Ended February 29, 2004

Operations in the year ended February 29, 2004 were focused on funding the acquisition of a portfolio of mineral properties including the Western Utah Copper Project, with year end initiatives focusing on financing exploration programs into 2004.

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters

	Q2 Aug 31 2004	Q1 May 31 2004	Q4 Feb 29, 2004	Q3 Nov 30, 2003	Q2 Aug 31, 2003	Q1 May 31 2003	Q4 Feb 28, 2003	Q3 Nov 30, 2002
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss before discontinued operations and extraordinary items:								
Total	\$(395,259)	\$(196,448)	\$(302,220)	\$(119,851)	\$(98,736)	\$(64,329)	\$(96,470)	\$(53,128)
Per share	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)
Per share, fully diluted	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)
Net loss:								
Total	\$(395,259)	\$(196,448)	\$(302,220)	\$(119,851)	\$(98,736)	\$(64,329)	\$(96,470)	\$(53,128)
Per share	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)
Per share, fully diluted	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.02)

1.6 Liquidity

At August 31, 2004, the Company had \$2,655,613 in cash and \$3,484,781 in resource properties. The Company intends to continue to engage in exploration and evaluation work on its properties.

The Company has a working capital of \$3,736,037. Management believes the Company has sufficient working capital to conduct business for the next year.

1.7 Capital Resources

The capital resources of the Company include mineral properties, valued at \$3,484,781. The Company's intention is to commit further funds for continuing acquisition and exploration activities, as detailed in section 1.2.

1.8 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.9 Transactions with Related Parties

For the six months ended August 31, 2004, the Company incurred and accrued management fees of \$194,792 to directors and officers of the Company (2003: \$35,956) and rent of \$2,400 (2003: \$6,000) to a director of the Company.

Included in accounts payable as at August 31, 2004 is \$23,927 (February 29, 2004: \$9,243) due to related parties.

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

These transactions were in the normal course of operations and were measured at the exchange value.

1.10 Fourth Quarter

N/A

1.11 Proposed Transactions

The Company will continue to allocate funds to the continuing evaluation and acquisition, and exploration of attractive properties in Utah and Argentina.

1.12 Critical Accounting Estimates

Loans Receivable

Loans receivable are carried at their face amount less provision for any permanent impairment in value. Management has determined that at this time no provision for impairment is required.

1.13 Change in Accounting Policy

Stock-based Compensation Plan

In January 2004, the Company adopted the amended CICA Handbook Section 3870 – “Stock-based Compensation and Other Stock-based Payments”. This change in accounting policy has been applied retroactively with no restatement of prior periods presented for the statements of operations and deficit and cash flows.

Under this amended standard, the Company must account for compensation expense based on the fair value of rights granted under its stock-based compensation plan. Under this method, compensation costs attributable to share options granted to employees or directors is measured at fair value at the grant date, and expensed over the expected exercise time from with a corresponding increase to contributed surplus. Upon exercise of stock options, consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

Previously, the Company accounted for stock-based compensation using the settlement method. No compensation costs were recorded in the financial statements for stock options granted as the options had no intrinsic value at the date of grant. Consideration paid by employees on the exercise of stock options and purchase of stock is credited to share capital.

1.14 Financial Instruments and Other Instruments

The carrying value of the Company’s financial instruments, consisting of cash, loans receivable, accounts payable and accrued liabilities and due to related parties approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The Company is exposed to fluctuations in foreign currencies through its operations in the United States and Argentina. The Company monitors this exposure, but has no hedge positions.

1.15 Other MD&A Requirements

Disclosure of Outstanding Share Data

a) Authorized:

Unlimited common shares without par value
 Unlimited class A preference shares without par value

b) Common shares issued:	<u>Number</u>	<u>\$</u>
Balance, August 31, 2004	22,709,652	14,949,164

c) Commitments:

As at August 31, 2004, the Company had 7,904,159 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share.

No share purchase options were granted or exercised during the six months ended August 31, 2004. Share purchase options outstanding as at August 31, 2004 are as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
700,000	\$0.45	September 9, 2008
150,000	\$0.80	November 26, 2008
<u>850,000</u>		

Subsequent Events

Subsequent to August 31, 2004:

- a) The Company issued 1,171,340 common shares at \$0.30 per share pursuant to the exercise of warrants.
- b) The Company issued 250,000 common shares pursuant to an option agreement for the right to acquire a 100% interest in five mineral exploration properties covering 5,480 acres in Utah and Nevada.
- c) The Company granted 350,000 stock options to directors and officers of the Company subject to regulatory approval. Each option will allow the holder to purchase one common share for \$0.70 per share for a period of five years.
- d) The Company granted 140,000 stock options to employees of the Company subject to regulatory approval. Each option will allow the holder to purchase one common share for \$0.50 per share for a period of five years.