

**REDSTAR GOLD CORP.**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2004 and 2003**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements of Redstar Gold Corp. are the responsibility of the Company's management. The financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best current estimates.

Management has developed and maintains a system of internal control to ensure that the Company's assets are protected from loss or improper use, transactions are authorized and properly recorded and financial records are reliable.

The Board of Directors carries out its responsibilities for these financial statements principally through its Audit Committee. The Audit Committee meets periodically with management and the auditor to review the financial statements and the results of audit examinations.

G. Ross McDonald, C.A. has audited the financial statements and his report outlines the scope of his examination and gives his opinion on the financial statements.

*"J. Patrick Nicol"*

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J. Patrick Nicol  
Director

# G. Ross McDonald\*

Chartered Accountant

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\*Denotes incorporated professional

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## AUDITOR'S REPORT

TO THE SHAREHOLDERS OF REDSTAR GOLD CORP.

I have audited the balance sheets of Redstar Gold Corp. as at March 31, 2004 and 2003 and the statements of operations and deficit and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 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. As required by the B.C. Company Act, I report that, in my opinion, these principles have been applied on a consistent basis.

*"G. Ross McDonald" (signed)*

G. Ross McDonald  
Chartered Accountant

Vancouver, British Columbia  
July 29, 2004

**REDSTAR GOLD CORP.****BALANCE SHEETS**

March 31, 2004 and 2003

	<b>2004</b>	<b>2003</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and short term deposits	\$ 46,217	\$ 228,540
Accounts receivable	35,242	1,145
Prepaid expenses and advances	32,114	66,597
	113,573	296,282
MINERAL PROPERTIES (Notes 2(a) and 3)	1,398,742	461,705
EQUIPMENT (Note 4)	14,385	8,365
	\$ 1,526,700	\$ 766,352
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 49,065	\$ 32,225
Due to related parties (Note 6)	261,168	-
	310,233	32,225
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	6,100,427	5,156,156
OPTION COMPENSATION (Note 5(d))	132,113	17,464
SHARE PURCHASE WARRANTS (Note 5(b))	14,500	14,500
CONTRIBUTED SURPLUS (Note 5(a))	71,806	49,103
DEFICIT	(5,102,379)	(4,503,096)
	1,216,467	734,127
	\$ 1,526,700	\$ 766,352

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 11)

APPROVED BY THE BOARD

*"J. Patrick Nicol"*

Director - J. Patrick Nicol

*"Douglas A. Fulcher"*

Director - Douglas A. Fulcher

**REDSTAR GOLD CORP.****STATEMENTS OF OPERATIONS AND DEFICIT**

For the Years ended March 31, 2004 and 2003

	<b>2004</b>	<b>2003</b>
EXPENSES		
Management fees	\$ 83,725	\$ 65,000
Salaries and benefits	55,428	57,040
Professional fees	42,030	50,085
Rent	32,439	27,406
Regulatory fees	13,196	24,141
Business promotion	65,011	23,057
Stock-based compensation	96,340	17,464
Investor relations	25,750	15,085
Office and miscellaneous	19,755	13,909
Transfer agent	12,658	8,754
Amortization	3,570	2,790
Telephone	5,184	2,670
Less: Interest earned	(1,479)	(3,262)
Expense recoveries	(126)	-
	453,481	304,139
OTHER EXPENSES		
Mineral properties written off	10,900	-
General exploration	253	6,205
LOSS FOR THE YEAR	464,634	310,344
DEFICIT, beginning of year, as previously reported	4,503,096	4,192,752
Adjustment for stock-based compensation	134,649	-
DEFICIT, beginning of year, as restated	4,637,745	4,192,752
DEFICIT, END OF YEAR	\$ 5,102,379	\$ 4,503,096
LOSS PER SHARE	\$ (0.03)	\$ (0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	16,227,219	10,608,800

**REDSTAR GOLD CORP.****STATEMENTS OF CASH FLOWS**

For the Years ended March 31, 2004 and 2003

	<b>2004</b>	<b>2003</b>
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Loss for the year	\$ (464,634)	\$ (310,344)
Items not involving cash		
Amortization	3,570	2,790
Stock-based compensation	96,340	17,464
Mineral interests written-off	10,900	-
	(353,824)	(290,090)
Net change in non-cash working capital items		
Accounts receivable	(34,097)	1,077
Prepaid expenses and advances	34,483	(66,597)
Accounts payable and accrued liabilities	16,840	(50,913)
Due to related parties	261,168	(4,718)
	(75,430)	(411,241)
INVESTING ACTIVITIES		
Mineral property exploration and development expenditures	(748,187)	(383,555)
Mineral property acquisition costs	(150,000)	(15,000)
Equipment	(9,590)	(3,709)
Reclamation bond	-	10,000
	(907,777)	(392,264)
FINANCING ACTIVITIES		
Issuance of share capital for cash	800,884	1,029,094
INCREASE (DECREASE) IN CASH	(182,323)	225,589
CASH, BEGINNING OF YEAR	228,540	2,951
CASH, END OF YEAR	\$ 46,217	\$ 228,540

Supplemental disclosure with respect to cash flows (Note 10)

**REDSTAR GOLD CORP.**

**NOTES TO THE FINANCIAL STATEMENTS**

**March 31, 2004 and 2003**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

The Company is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development and the future proceeds from the disposition of those reserves.

At March 31, 2004, the Company has working capital deficiency of \$196,660 which, together with the planned private placement announced subsequent to the year end (note 10), will be insufficient to achieve the Company's planned corporate and administrative expenses for the coming year. The Company will require additional financing or outside participation, to undertake further exploration and subsequent development of its mineral properties. The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with accounting policies generally accepted in Canada and reflect the following policies.

**(a) Mineral Properties**

The Company capitalizes all costs related to investments in mineral property interests on a property by property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. All deferred mineral property expenditures are reviewed, on a property by property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

**(b) Equipment**

Equipment is recorded at cost and are amortized using the declining-balance method, at an annual rate of 20% for office equipment and 30% for computer equipment.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(c) **Share Capital**

Share capital issued for non-monetary consideration is recorded at fair market value on the dates of issuance pursuant to the agreement to issue shares as determined by the Board of Directors of the Company based on the trading price of the shares on the TSX Venture Exchange.

The proceeds from shares issued under flow-through share financing agreements are credited to share capital and the tax benefits of the exploration expenditures incurred under these agreements are transferred to the purchaser of the shares. Costs incurred for the issue of shares are deducted from share capital.

(d) **Loss Per Share**

Loss per share is calculated using the weighted average number of shares outstanding during the year using the treasury stock method for calculating diluted earnings per share. However, diluted loss per share has not been presented as the exercise of options would reduce the calculated loss per share.

(e) **Financial Instruments**

The carrying value of current assets and current liabilities approximates their fair value due to the relative short periods to maturity of these instruments.

(f) **Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those reported.

(g) **Stock-Based Compensation**

Effective April 1, 2003, the Company adopted CICA 3870 "Stock-Based Compensation and Other Stock-Based Payments" for accounting for stock-based compensation expense. Under this standard, stock-based payments to non-employees and employee awards that are direct awards of stock, call for settlement in cash or other assets, or stock appreciation rights that call for settlement by issuance of equity instruments, granted on or after April 1, 2003, are accounted for using the fair value based method and are recorded as an expense in the period the stock-based payment are vested or the awards or rights are granted.

During 2003, the CICA released amendments to Section 3870 which require an expense to be recognized in the financial statements for all forms of employee stock-based compensation, including stock options, commencing on January 1, 2004. The Company has elected for the early adoption of the amendments during the fourth quarter of fiscal 2004. Prior to the adoption, no compensation expense was recognized when stock options were granted to directors and employees if the exercise price of the stock options granted were at market value. However, the effects of accounting for stock-based compensation to directors and employees as compensation expense, using the fair-value based method, was disclosed as pro-forma information in the notes to the financial statements.

**REDSTAR GOLD CORP.**

**NOTES TO THE FINANCIAL STATEMENTS**

**March 31, 2004 and 2003**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(h) Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is likely to be realized.

**3. MINERAL PROPERTIES**

**(a) West Red Lake Properties, Red Lake District, Ontario**

The Company signed a letter option agreement (as amended), to acquire a 51% interest in 51 mineral claims located in the Red Lake District of Ontario. To exercise the option the Company must make, in stages, cash payments of \$135,000 and issue 500,000 common shares, to the optionor and incur \$2,575,000 in exploration expenditures on the property as follows:

**(i) Shares and cash payments**

- 125,000 common shares and \$15,000 upon regulatory approval (issued and paid)
- 125,000 common shares and \$35,000 on or before May 6, 2003 (issued and paid)
- 125,000 common shares and \$35,000 on or before May 6, 2004
- 125,000 common shares and \$50,000 on or before May 6, 2005
- 150,000 common shares on amended agreement (issued)

**(ii) Work expenditures**

- \$450,000 on or before May 6, 2003 (expended)
- \$600,000 on or before May 6, 2004 (expended)
- \$650,000 on or before May 6, 2005
- \$875,000 on or before May 6, 2006

In addition the Company is responsible for the cash payments applicable to the underlying agreements in respect of the claims as follows:

- \$ 46,000 on or before September 1, 2002 (paid)
- \$ 94,000 on or before September 1, 2003 (paid)
- \$201,000 on or before September 1, 2004
- advance royalties of \$40,000 per year thereafter.

An additional 9% interest can be earned by incurring \$3,000,000 in exploration expenditures on the property.

Certain of the mineral claims are subject to a 2% net smelter return royalty, one-half of which may be purchased for up to \$2,000,000.

**REDSTAR GOLD CORP.**

**NOTES TO THE FINANCIAL STATEMENTS**

**March 31, 2004 and 2003**

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**3. MINERAL PROPERTIES (continued)**

The Company signed a letter of intent to acquire a 100% interest in 32-patented mineral claims in the area of interest of the other claims. Under the terms of the agreement the Company must make cash payments of \$50,500 (\$15,000 paid) and issue 100,000 common shares (50,000 issued) over a two-year period. The property is subject to a 1% net smelter returns royalty that may be purchased for \$1,000,000.

**(b) Newman Todd Property, Red Lake District, Ontario**

The Company signed an agreement to purchase a 100% interest in 12 freehold mineral claims located in the Red Lake District of Ontario. To acquire the interest the Company paid \$25,000, issued 50,000 common shares at a deemed value of \$10,000 and issued 100,000 share purchase warrants that have been assigned a fair value of \$14,500. The vendor has retained a 1.5% net smelter return royalty if the gold price is less than or equal to US \$400 per ounce or 2% if greater than \$400 per ounce. The property is also subject to an underlying 15% net profits interest.

The Company has granted an option on the Newman Todd Property to permit the optionee to acquire a 60% interest in the property by incurring up to US\$750,000 in exploration expenditures and cash payments to the Company of up to US\$215,000, in stages, to June 2, 2007. On exercise of the option the Company's interest in the property would be reduced to 18% under the area of influence terms of the West Red Lake Properties agreement.

During the year ended March 31, 2004, the Company received an option payment of \$47,038 (US \$35,000)

**(c) Sobel Lake, Red Lake District, Ontario**

The Company has entered into an agreement dated October 2, 2002 to acquire a 100% interest in 4 mineral claims located in the Red Lake District of Ontario as follows:

- (i) Cash payments totalling \$37,500 to be paid in stages to January 27, 2006. (\$2,500 paid at a deemed value of \$2,400)
- (ii) The issue of up to 175,000,000 common shares in stages to January 27, 2006. (15,000 issued at a deemed value of \$2,400).
- (iii) To incur exploration expenditures of up to \$300,000 in stages on or before January 27, 2006.

The optionors have retained a 1-1/2% net smelter returns royalty that the Company may purchase up to 1% thereof for \$1,000,000.

The Company has signed a letter of intent to enter into an option, subject to regulatory approval, to acquire a 100% interest in an additional 4 contiguous mineral claims. Under the terms of the agreement the Company would pay, in stages within 4 years, up to \$56,000 (\$6,000 paid) and issue up to 395,000 common shares. The optionors have retained a 1-1/2% net smelter return royalty of which 1% may be purchased for \$1,000,000.

As at March 31, 2004, the Company abandoned its interest in the options and \$10,900 in acquisition costs has been written-off.



**REDSTAR GOLD CORP.****NOTES TO THE FINANCIAL STATEMENTS****March 31, 2004 and 2003****4. EQUIPMENT**

Equipment is comprised of office furniture and computer equipment are recorded at cost net of accumulated amortization of \$14,275.

**5. SHARE CAPITAL**

Authorized:

99,953,125 common shares without par value

Issued:	Number of Shares	Amount
Balance at March 31, 2002	22,944,573	\$ 4,005,891
Consolidation (1:6)	(19,120,477)	-
Escrow shares cancelled	(46,875)	(49,103)
	3,777,221	3,956,788
Issued during the year		
Private placement for cash	7,786,348	1,009,622
Exercise of share purchase warrants for cash	97,361	19,472
Debt settlement	810,824	121,624
Mineral properties	190,000	48,650
	8,884,533	1,199,368
Balance at March 31, 2003	12,661,754	5,156,156
Private placement for cash (net)	4,367,333	486,732
Exercise of share purchase warrants for cash	997,000	190,135
Exercise of stock options for cash	671,834	124,017
Mineral properties	325,000	49,750
Stock-based compensation	-	93,637
	6,361,167	944,271
Balance at March 31, 2004	19,022,921	\$ 6,100,427

**(a) Escrowed Shares**

During the year ended March 31, 2003, 46,875 (post consolidation) common shares held in escrow were returned to the treasury, cancelled and \$49,103 was credited to contributed surplus.

REDSTAR GOLD CORP.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004 and 2003

5. SHARE CAPITAL (continued)

(b) Share Purchase Warrants

The Company has outstanding share purchase warrants as at March 31, 2004, which entitle the holders to purchase common shares as follows:

Number of Shares	Exercise Price	Expiry Date
2,972,500	\$0.15	June 6, 2004
2,553,000	\$0.23	June 6, 2003/2004
1,577,500	\$0.18	June 6, 2004
400,000	\$0.23	July 4, 2003/2004
100,000	\$0.18	July 4, 2004
493,913	\$0.20	July 15, 2004
713,000	\$0.25	October 22, 2003/2004
55,000	\$0.20	October 22, 2004
100,000 (i)	\$0.30	September 16, 2004
4,219,999	\$0.18	June 27, 2004
13,184,912		

(i) Share purchase warrants issued as consideration for mineral property interests were assigned fair value of \$14,500 based on the Black-Scholes Option Pricing Method.

(c) Stock Options

As at March 31, 2004, the Company had stock options outstanding to directors, employees and consultants for the purchase of up to 1,663,334 common shares exercisable as follows:

Number of Shares	Exercise Price	Expiry Date
10,834	\$0.20	March 5, 2005
260,000	\$0.20	June 12, 2007
680,000	\$0.12	April 4, 2008
712,500	\$0.18	September 11, 2008
1,663,334		

A summary of the status of the Company's stock options as at March 31, 2004 and 2003 and changes during the years then ended as follows:

	2004		2003	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	1,046,001	\$ 0.20	175,000	\$ 0.20
Granted	1,550,000	0.15	871,000	0.20
Exercised	(671,834)	0.20	-	-
Cancelled / expired / forfeited	(260,833)	0.20	-	-
Outstanding at end of year	1,663,334	\$ 0.19	1,046,000	\$ 0.20

**REDSTAR GOLD CORP.**

**NOTES TO THE FINANCIAL STATEMENTS**

**March 31, 2004 and 2003**

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**5. SHARE CAPITAL (continued)**

**(d) Stock-based compensation**

The Company has elected for the early adoption of the CICA released amendments to Section 3870, "Stock Based Compensation and Other Stock-based Payments," which require an expense to be recognized in the financial statements for all forms of employee stock-based compensation, including stock options. Prior to the adoption, the Company disclosed the effects of accounting for stock-based compensation to directors and employees as compensation expense, using the fair-value based method, as pro-forma information in the share capital note. The fair value of the options granted during the year ended March 31, 2004, was \$96,340 which was charged to the income statement.

The retroactive application of the change in accounting policy to expense all forms of employee stock-based compensation using the fair-value based method (Note 2(g)) has the effect of increasing the reported loss and deficit for the year ended March 31, 2003 by \$134,649.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions at March 31, 2004:

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Risk-free interest rate	3.96%
Expected dividend yield	-
Expected stock price volatility	115%
Expected option life in years	3 - 5

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Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

**6. RELATED PARTY TRANSACTIONS**

- (a) The Company conducts the majority of its exploration activities through an exploration services contractor in which a director is a principal. The Company paid that contractor \$756,383 (2003 - \$278,239) for exploration costs and \$140,916 (2003 - \$53,968) to reimburse office and administrative costs. As at March 31, 2004, the Company owed \$252,759 to that contractor.
- (b) Management fees of \$30,000 (2003 - \$30,000) and \$17,936 (2003 - nil) for rental of shared office premises was paid to a company in which a director is a principal; as at March 31, 2004, the Company owed that company \$2,728.
- (c) The Company, during the year ended March 31, 2003, issued 810,824 common shares and 493,913 share purchase warrants to settle debts of \$121,623 with companies in which a director is principal. Each warrant entitles the holder to acquire one common share at \$0.20 per share on or before July 15, 2004.
- (d) As at March 31, 2004, the Company owed \$5,680 to a company with two directors in common.

**REDSTAR GOLD CORP.****NOTES TO THE FINANCIAL STATEMENTS****March 31, 2004 and 2003**

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**7. INCOME TAXES**

The Company has accumulated losses for tax purposes of approximately \$1,249,000 that expire as follows:

2005	\$	58,000
2006		150,000
2007		189,000
2008		290,000
2009		113,000
2010		200,000
2011		249,000
		<hr/>
	\$	1,249,000

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	<b>2004</b>	<b>2003</b>
Future income tax assets		
Temporary differences in assets	\$ 366,907	\$ 361,752
Net tax losses carried forward	444,969	366,045
	<hr/>	<hr/>
	811,876	727,797
Valuation allowance for future income tax assets	(811,876)	(727,797)
	<hr/>	<hr/>
Net future income tax assets	-	-
Future income tax liabilities	-	-
	<hr/>	<hr/>
Future income tax assets, net	\$ -	\$ -

**8. SEGMENTED INFORMATION**

The Company has one operating segment, mineral exploration and development. All of the Company's assets are located in Canada.

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The following non-cash transactions occurred:

- (a) During the year ended March 31, 2004, the Company issued 325,000 common shares valued at \$49,750 for mineral property interests.
- (b) During the year ended March 31, 2003, the Company issued 190,000 common shares valued at \$48,650 for mineral property interests.
- (c) During the year ended March 31, 2003, the Company issued 810,824 common shares in settlement of \$121,623 in outstanding debts.
- (d) During the year ended March 31, 2003, the Company issued 100,000 share purchase warrants valued at \$14,500 for mineral property interests.

**REDSTAR GOLD CORP.**

**NOTES TO THE FINANCIAL STATEMENTS**

**March 31, 2004 and 2003**

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**10. COMMITMENT**

During 2003, the Company entered into a lease agreement for the rental of office premises for a six-year period October 31, 2009. The cost of the entire premises is shared primarily between the Company and two companies related by a common director. The Company's proportionate share of minimum annual rental payments under this arrangement is approximately \$33,000.

**11. SUBSEQUENT EVENTS**

**(a) Financing**

The Company completed a private placement and issued 2,530,000 units at a price of \$0.10 per unit for gross proceeds of \$253,000 before commission and share issue costs. Each unit consists of one common share and one-half share purchase warrant. Each full share purchase warrant is exercisable to acquire one common share at \$0.15 per share on or before July 29, 2005. The Company's fiscal agents were paid a commission of \$20,240 plus 506,000 agents' warrants, an administration fee of \$3,500 plus 40,000 units with the same terms as the private placement, an 8% commission and 736,666 share purchase warrants at the same terms.

**(b) Share issue**

The Company issued 75,000 common shares as partial consideration under the option agreement in respect of the Sunshine Road and Chubb properties (Note 3(a)).