AMI RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2005 AND FEBRUARY 29, 2004

DALE MATHESON
CARR-HILTON LABONTE
CHARTERED ACCOUNTANTS

Partnership of:
Robert J. Burkart, Inc. James F. Carr-Hilton, Ltd.
Alvin F. Dale, Ltd. Peter J. Donaldson, Inc.
Wilfred A. Jacobson, Inc. Reginald J. LaBonte, Ltd.
Robert J. Matheson, Inc. Fraser G. Ross, Ltd.
Brian A. Shaw, Inc. Anthony L. Soda, Inc.

AUDITORS' REPORT

To the Shareholders of AMI Resources Inc.:

We have audited the consolidated balance sheets of AMI Resources Inc. as at February 28, 2005 and February 29, 2004 and the consolidated statements of loss 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 February 28, 2005 and February 29, 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles applied on a consistent basis.

"Dale Matheson Carr-Hilton LaBonte"

CHARTERED ACCOUNTANTS

Vancouver, B.C.
May 31, 2005

A MEMBER OF MGI INTERNATIONAL, A WORLDWIDE NETWORK OF INDEPENDENT ACCOUNTANTS AND BUSINESS ADVISORS
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AMI RESOURCES INC.

CONSOLIDATED BALANCE SHEETS

		February 28, 2005		February 29, 2004
ASSETS				
CURRENT				
Cash	$	139,484	$	137,738
Marketable securities		31,800		34,200
Prepaid expenses		15,666		10,000
Other receivables and advances		7,484		4,572
		194,434		186,510
EQUIPMENT		8,548		1,402
MINERAL PROPERTIES AND DEFERRED COSTS (Note 3)		1,949,899		1,776,592
OTHER ASSET (Note 3)		5,000		14,000
	$	2,157,881	$	1,978,504
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	14,264	$	20,967
Note payable (Note 4)		16,618		-
		30,882		20,967
NOTE PAYABLE (Note 4)		-		100,979
		30,882		121,946
SHAREHOLDERS' EQUITY				
SHARE CAPITAL (Note 6)		2,861,496		2,301,496
CONTRIBUTED SURPLUS (Note 6)		643,358		225,485
SHARE PURCHASE WARRANTS (Note 6)		25,000		54,178
DEFICIT		(1,402,855)		(724,601)
		2,126,999		1,856,558
	$	2,157,881	$	1,978,504

Approved on behalf of the Board

"Dustin Elford"
Dustin Elford– Director

"William Pettigrew"
William Pettigrew – Director

The accompanying notes are an integral part of these consolidated financial statements

AMI RESOURCES INC.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

		Year ended February 28, 2005		Year ended February 29, 2004
INTEREST AND OTHER INCOME	$	47	$	1,111
EXPENSES				
Consulting		60,000		52,500
Finance fees		2,668		15,000
Foreign exchange (gain)loss		(641)		2,108
Investor relations		67,824		98,080
Management fees		60,000		52,500
Office and general		50,093		36,977
Professional fees		35,631		22,514
Stock-based compensation (Note 6)		363,695		220,375
Transfer agent and filing fees		12,520		19,507
Travel and promotion		15,111		20,000
		666,901		539,561
NET LOSS BEFORE THE FOLLOWING		(666,854)		(538,450)
GAIN ON DISPOSAL OF KUTCHO PROPERTY (Note 3)		-		56,179
WRITE-DOWN OF MARKETABLE SECURITIES		(11,400)		(7,980)
NET LOSS FOR THE YEAR		(678,254)		(490,251)
DEFICIT, BEGINNING OF YEAR		(724,601)		(234,350)
DEFICIT, END OF YEAR	$	(1,402,855)	$	(724,601)
BASIC AND DILUTED LOSS PER SHARE	$	(0.06)	$	(0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		12,185,501		10,738,119

The accompanying notes are an integral part of these consolidated financial statements

AMI RESOURCES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended February 28, 2005	Year ended February 29, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (678,254)	$ (490,251)
Adjusted for items not affecting cash:		
- stock-based compensation	363,695	220,375
- amortization	1,348	350
- gain on disposal of resource property	-	(56,179)
- non-cash finance fee	-	8,800
- write-down of marketable securities	11,400	7,980
- net changes in non-cash working capital items	(15,281)	(5,336)
Cash flows used in operating activities	(317,092)	(314,261)
CASH FLOWS FROM INVESTING ACTIVITIES		
Computer equipment	(8,494)	(1,752)
Exploration costs	(173,307)	(446,637)
Cash flows used in investing activities	(181,801)	(448,389)
CASH FLOWS FROM FINANCING ACTIVITIES		
Note payable	(34,361)	-
Shares issued for cash on exercise of stock options	85,000	157,675
Shares and share purchase warrants issued for cash by private placement	450,000	500,000
Cash flows from financing activities	500,639	657,675
INCREASE (DECREASE) IN CASH	1,746	(104,975)
CASH, BEGINNING OF YEAR	137,738	242,713
CASH, END OF YEAR	$ 139,484	$ 137,738

Supplementary Cash Flow Information:

The Company settled $50,000 of its note due to Midasco Capital Corp. via the issuance of 125,000 common shares.

Cash paid for interest	$ 3,520	$ 413
Cash paid for income taxes	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements

NOTE 1- NATURE AND CONTINUANCE OF OPERATIONS

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts recorded for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves.

The ability of the Company to continue to operate as a going concern is dependent on its ability to ultimately operate its business at a profit. To date, the Company has not generated any revenues from operations and will require additional funds to meet its obligations and the costs of its operations. As a result, further losses are anticipated prior to the generation of any revenues.

The Company's future capital requirements will depend on many factors, including the costs of exploring its mineral properties, operating costs, competitive environment and global market conditions. The Company's anticipated operating losses and increasing working capital requirements will require that it obtain additional capital to continue operations.

The Company will depend almost exclusively on outside capital. Such outside capital will include the sale of additional shares. There can be no assurance that capital will be available as necessary to meet these continuing exploration and development costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in significant dilution to the equity interests of its current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected, thus giving rise to doubt about the Company’s ability to continue as a going concern. The financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Company be unable to continue as a going concern.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Norcan Mining Corporation (“Norcan”), incorporated in British Columbia, and Vista Mining Corporation (“Vista”), incorporated in the State of Tennessee, U.S.A. All significant intercompany transactions and account balances have been eliminated.

Basis of presentation
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and are presented in Canadian dollars.

Marketable securities
Marketable securities are carried at the lower of cost and market value.

Equipment
Computers and office equipment – Computers are amortized at a rate of 30% per year and office equipment at a rate of 20% per year over their estimated useful life.

Financial instruments
The fair value of the Company’s financial instruments included in current assets and current liabilities were estimated by management to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. Non-current loans payable and other long-term accrued payables are impacted by changes in market yields which can result in differences between the carrying value and the market value of such instruments. Management is not able to determine the fair value of these instruments as comparable risk, repayment terms, and interest rate profiles are not determinable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Risk management
The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company is at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate significant environmental remediation costs or liabilities in respect of its current operations.

The Company is not exposed to significant credit concentration risk. The Company is not exposed to significant interest rate risk.

The Company's functional currency is the Canadian dollar. The Company operates in foreign jurisdictions, giving rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Earnings (loss) per share
The Company follows the treasury stock method for determining dilutive earnings (loss) per share. This method assumes that proceeds received from in-the-money stock options and share purchase warrants are used to repurchase common shares at the prevailing market rate.

Basic loss per share has been calculated using the weighted average number of shares outstanding during the year ended February 28, 2005, of 12,185,501 (2004 – 10,738,119). Diluted loss per share figures are equal to those of basic loss per share for each year as the effects of stock options and share purchase warrants have been excluded since they are anti-dilutive.

Foreign currency translation
The financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates, except for items carried at market value, which are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the year. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the period.

Mineral properties and deferred costs
The cost of mineral properties and related exploration expenditures are capitalized until the properties are placed into production, sold or abandoned. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned. The recorded costs of mineral properties, including exploration expenditures, represent costs incurred and are not intended to reflect present or future values.

The costs include the cash or other consideration and the fair market value of shares issued, if any, on the acquisition of mineral properties. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The proceeds from options granted are deducted from the cost of the related property and any excess is deducted from other remaining capitalized property costs. The Company does not accrue estimated future costs of maintaining its mineral properties in good standing.

General exploration costs not related to specific properties and general administrative expenses are charged to operations in the year in which they are incurred.

Income taxes
The Company follows the liability method of tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. In the case of unused tax losses, income tax reductions, and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax assets is determined by reference to the likely realization of future income tax reductions. The Company has not recognized potential future benefit amounts as the criteria for recognition under GAAP have not been met.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Stock-based compensation

Effective March 1, 2003 the Company adopted new accounting standards issued by the CICA Handbook Section, *Stock-based compensation and other stock-based payments*, whereby it expenses all stock-based compensation awards on a prospective basis. The Company recorded stock-based compensation for 2005 of $363,695 (2004 - $220,375).

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, resource property carrying values, useful lives for amortization, and determination of fair value for stock based transactions and warrants. Financial results as determined by actual events could differ from those estimates.

Asset retirement obligations

The Company has adopted the CICA Handbook section 3110, *Asset retirement obligations.* This standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for any changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. This section was effective on March 1, 2004. The adoption of this standard did not have a material impact on the financial position and results of operations.

NOTE 3 - MINERAL PROPERTIES AND DEFERRED COSTS

	Adumasa Project	Kutcho Creek	Total
Balance, February 28, 2003	$ 1,329,955	$ 1	$ 1,329,956
Exploration costs incurred during the year:			
Assays, engineering and geosurveys	68,695	-	68,695
Concession fees	13,567	-	13,567
Drilling	178,134	-	178,134
Field costs	73,474	-	73,474
Project administration	27,540	-	27,540
Travel and accommodation	85,227	-	85,227
	446,637	-	446,637
Disposals	-	(1)	(1)
Balance, February 29, 2004	1,776,592	-	1,776,592
Exploration costs incurred during the year:			
Assays, engineering and geosurveys	9,594	-	9,594
Drilling	9,807	-	9,807
Field costs	13,390	-	13,390
Pitting and trenching	20,227		20,227
Project administration	28,625	-	28,625
Travel and accommodation	91,664	-	91,664
	173,307	-	173,307
Balance, February 28, 2005	$ 1,949,899	$ -	$ 1,949,637

Adumasa Project, Ghana, West Africa

The Adumasa Project consists of the Adumasa, Pemanase and Ankasi Concessions. The Adumasa Project is held by the Company's subsidiary, Norcan. Norcan is the registered holder of these three gold and other minerals prospecting licenses. These concessions are subject to a 10% interest held by the Ghanaian Government.

NOTE 3 - MINERAL PROPERTIES AND DEFERRED COSTS (con't)

During the year, all three licenses were consolidated into a single license, known as the Beposo Concession, and extended for an additional two years to April 22, 2006. Furthermore, the Company is seeking to acquire a license for the Praso Concession which is contiguous to the Beposo concession and increases the Company's land position to approximately 173 square kilometres.

Kutcho Creek Property, British Columbia

The Company had a 20% interest in a property covering 13,964 hectares approximately 100 kilometres east of Dease Lake, British Columbia. By agreement dated December 17, 2003, the Company sold all of its interest in this property to Western Keltic Mines ("Keltic"), a publicly traded company on the TSX Venture Exchange, resulting in a gain of $56,179 in fiscal 2004. The consideration for this sale was (a) an initial 57,000 units of Keltic valued at $0.74 per unit or $42,180, consisting of one common share and one share purchase warrant. Each unit share purchase warrant is exercisable into one common share of Keltic at a price of $0.20 per share until August 12, 2005; (b) 30,000 additional units on the first anniversary of the closing; and (c) 30,000 additional units on the second anniversary of the closing. Each additional unit will consist of one common share and one share purchase warrant.

Each warrant to be issued on the first and second anniversary of the closing will be exercisable at a price equal to 150% of the average of the daily closing price of the common shares for the 20 day period ending on the trading day two days preceding the date of issue. These additional units were valued at $14,000 in fiscal 2004 and recorded as other assets. In addition the Company will receive a net smelter royalty of 20% of the total 2% royalty payable on the property. No amount has been recorded for the royalties as their fair value is not determinable.

During 2005, the Company received the first installment of 30,000 additional units. At February 28, 2005 the Company holds 87,000 shares and 87,000 warrants of Keltic with a fair market value of $31,800 (2004 - $34,200) and a loss on write-down to market value of $11,400 (2004 - $7,980) was recognized during the year. The remaining units to be received have been recorded at a fair value of $5,000.

NOTE 4 – NOTE PAYABLE

During 2003, the Company received a loan of $100,000 from a Canadian public company with directors in common. This loan bears interest at 6% per annum compounded monthly and was originally due on June 1, 2003. The principal was convertible into common shares of the Company at a price of $.40 per share until May 31, 2003. In addition, the Company granted 222,222 warrants to this related company in connection with this loan. These warrants entitled the holder to acquire an additional 222,222 common shares of the Company at a price of $.45 per share until May 31, 2003. A deferred finance fee of $26,400, representing the fair value of the warrants, was recorded. The fair value was estimated using the Black-Scholes option pricing model assuming an expected warrant life of one year, a risk-free interest rate of 3%, and an expected volatility of 84%. This deferred finance fee was amortized on a straight-line basis over the term of the loan. During fiscal 2003, $17,600 of this fee was expensed and the remaining $8,800 was expensed in fiscal 2004.

Application of the provisions of the CICA accounting recommendation 3860 "Financial Instruments" to the above convertible loan debt instrument resulted in an immaterial equity component being attributed to the instrument in fiscal 2003. Accordingly, all of the instrument was recorded to debt.

During fiscal 2004, the loan due date and associated share purchase warrants were extended to May 22, 2004 under the same terms and conditions. At February 29, 2004 a balance of $100,979 including accrued interest was owing on this note. In May 2004, $50,000 of the note payable was converted into 125,000 common shares and the warrants expired without being exercised. The due date for the balance of the debt was extended to May 22, 2005 under a new one-year note bearing compound interest at 6% and payable quarterly. At February 28, 2005, a balance of $16,618 of principal and accrued interest remained outstanding on this note.

NOTE 5 - RELATED PARTY TRANSACTIONS

a) The Company incurred $60,000 (2004 - $52,500) in management fees to a private company controlled by a director.

b) The Company incurred $60,000 (2004 - $52,500) in consulting fees to a private company controlled by a director.

c) Expenses of $110,303 (2004 - $132,891) incurred to two directors and/or their private companies during the year were repaid.

d) The Company incurred $1,626 (2003 - $nil) in legal fees to a law firm in which a director of the Company is a partner. At February 28, 2005, $1,626 (2003 - $nil) remains owing to this law firm.

e) Refer to Note 4.

NOTE 6 - SHARE CAPITAL

Common shares

Authorized:
50,000,000 common shares without par value
20,000,000 first preferred shares without par value

	Shares		Value
Common shares issued:			
Balance at February 28, 2003	10,071,161	$	1,673,584
Issued during the year:			
- for cash by a private placement at $0.45 per share	1,111,111		472,222
- for cash by exercise of options at $0.25 per share	35,000		8,750
- for cash by exercise of options at $0.35 per share	425,500		148,925
- Shares returned to treasury and cancelled	(11,586)		(1,985)
Balance at February 29, 2004	11,631,186		2,301,496
Issued during the year:			
- for cash by a private placement at $0.45 per share	1,000,000		425,000
- settlement of $50,000 loan at $0.40 per share	125,000		50,000
- for cash by exercise of options at $0.45 per share	100,000		45,000
- for cash by exercise of options at $0.40 per share	100,000		40,000
Balance at February 28, 2005	12,956,186	$	2,861,496

During the year ended February 28, 2005, the Company completed a private placement of 1,000,000 units at a price of $0.45 per unit for proceeds of $450,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional share at a price of $0.55 per share to April 25, 2005. The fair value of the warrants was estimated to be $25,000 which has been recorded as a separate component of shareholders' equity.

During the year, the Company settled $50,000 of its note payable through the issue of 125,000 common shares (Refer to Note 4).

During the year ended February 29, 2004, the Company completed a private placement of 1,111,111 units at a price of $0.45 per unit for proceeds of $500,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire an additional share at a price of $0.70 per share to September 16, 2004. The fair value of the warrants was estimated to be $27,778 which was recorded as a separate component of shareholders' equity. These warrants expired without exercise and $27,778 has been recorded as contributed surplus.

During the year ended February 29, 2004, 11,586 shares were returned to treasury and cancelled.

At the Company's last Annual General Meeting the shareholders' approved the increase in the authorized share capital to an unlimited number of common shares and an unlimited number of preferred shares; however this has not yet been completed.

NOTE 6 - SHARE CAPITAL (con't)

Contributed surplus

Balance, February 28, 2003	$	3,125
- stock-based compensation		220,375
- shares returned to treasury and cancelled		1,985
Balance, February 29, 2004		225,485
- stock-based compensation		363,695
- expiration of warrants		54,178
Balance, February 28, 2005	$	643,358

Stock options

At February 28, 2005, the Company had outstanding incentive stock options to directors and employees entitling the holders to purchase an aggregate of 1,795,000 common shares as follows:

Options	Exercise Price	Expiry Date
1,245,000	$ 0.40	September 19, 2006
550,000	$ 0.45	October 22, 2007

A summary of the Company's stock options as of February 28, 2005 and changes during the year are as follows:

	2005			2004		
	Number of Shares	Weighted Average Exercise Price		Number of Shares	Weighted Average Exercise Price	
Balance, beginning of year	1,425,000	$	0.53	940,000	$	0.40
Granted	720,000		0.44	1,050,000		0.55
Exercised	(200,000)		0.43	(460,500)		0.34
Expired	-		-	(4,500)		0.35
Cancelled	(150,000)		0.40	(100,000)		0.45
Balance, end of year	1,795,000	$	0.42	1,425,000	$	0.53

In June 2004, the Company re-priced 1,325,000 options to $0.40 per share and extended the expiry date to September 19, 2006. As a result, the Company recorded an additional compensation charge in the period of $71,750 which was determined in accordance with the provisions of CICA Handbook Section 3870, *Stock-based compensation and other stock-based payments*.

During the year ended February 28, 2005 the Company granted a total of 720,000 stock options with a fair value of $178,760 which was estimated using the Black-Scholes option pricing model assuming an expected life of 2-3 years, a risk-free interest rate of 3% and an expected volatility of 80-84%. The Company recorded a stock based compensation expense of $96,945 relating to options vested as at February 28, 2005 and will record a further $81,815 upon vesting of the remaining options in 2006.

The stock options granted by the Company during the year ended February 28, 2005 are subject to vesting as follows: 25% on issuance and 25% on each subsequent quarter from date of issuance. As at February 28, 2005, 402,500 of these options have vested.

During the year ended February 29, 2004 the Company granted a total of 1,050,000 stock options with a fair value of $406,000 which was estimated using the Black-Scholes option pricing model assuming an expected life of 2-3 years, a risk-free interest rate of 3% and an expected volatility ranging from 83% to 88%. During the year the Company recorded a stock based compensation expense relating to the vesting of these options of $195,000 (2004 - $211,000).

NOTE 6 - SHARE CAPITAL (con't)

Warrants

A summary of the Company's warrants as of February 28, 2005 are as follows:

	2005		2004	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, beginning of year	1,333,333	$ 0.66	222,222	$ 0.45
Issued	1,000,000	0.55	1,111,111	0.70
Exercised	-	-	-	-
Expired	(1,333,333)	0.66	-	-
Cancelled	-	-	-	-
Balance, end of year	1,000,000	$ 0.55	1,333,333	$ 0.66

The 1,000,000 warrants outstanding at February 28, 2005 subsequently expired without being exercised. Refer to Note 8.

NOTE 7 – INCOME TAXES

The significant components of the Company's future income tax assets and liabilities are as follows:

	2005	2004
Estimated non-capital losses available	$ 1,611,934	$ 1,370,530
Estimated corporate income tax rate	37%	38%
Potential future income tax assets	596,416	520,801
Less: valuation allowance	596,416	520,801
Future Income Tax Asset (Liability)	$ -	$ -

At February 28, 2005 the Company has non-capital losses remaining to be carried forward of approximately $1,612,000 (2004: 1,371,000) which may be available to offset future income for income tax purposes but which expire over the next seven years. As the criteria for recognizing future income tax assets have not been met due to the uncertainty of realization, a valuation allowance of 100% has been recorded for the current and prior year.

The Company has certain resource related deductions of approximately 1,950,000 which may be available to be offset against future taxable income in Canada. The benefits of these deductions are not reflected in these financial statements. The realization of these tax benefits in future years will be recorded as an adjustment to the corporate tax provision in the year realized.

NOTE 8 – SUBSEQUENT EVENTS

The 1,000,000 warrants issued pursuant to the private placement completed in October 2004 expired as of April 25, 2005 without being exercised.