COMMERCE RESOURCES CORP.

REPORT AND FINANCIAL STATEMENTS

October 31, 2004 and 2003

TERRY AMISANO LTD.
KEVIN HANSON LTD.

AMISANO HANSON
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Commerce Resources Corp.

We have audited the balance sheets of Commerce Resources Corp. as at October 31, 2004 and 2003 and the 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 financial statements present fairly, in all material respects, the financial position of the Company as at October 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.

Vancouver, Canada
February 3, 2005

"AMISANO HANSON"
Chartered Accountants

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COMMERCE RESOURCES CORP.
BALANCE SHEETS
October 31, 2004 and 2003

ASSETS	2004	2003
Current		
Cash	$ 62,572	$ 8,347
Marketable securities (market value – $38,470; 2003: $39,053)	35,565	11,725
Advances receivable	1,662	1,500
Mining tax credit receivable – Note 4	-	63,555
Prepaid expenses – Note 8	5,758	-
GST receivable	5,945	4,102
	111,502	89,229
Reclamation bonds	12,000	12,000
Due from related parties – Note 8	18,500	9,500
Capital assets – Note 5	4,883	6,326
Resource properties – Notes 4, 8 and Schedule I	988,808	1,211,841
	$ 1,135,693	$ 1,328,896
LIABILITIES		
Current		
Accounts payable – Note 8	$ 77,020	$ 81,824
Accrued interest payable – Note 6	80,000	-
Advance on exploration expenditures	-	32,654
Due to related party – Note 8	38,068	131,348
	195,088	245,826
Convertible debenture –Note 6	-	211,585
	195,088	457,411
SHAREHOLDERS' EQUITY		
Share Capital – Notes 7 and 12	3,055,540	2,774,052
Convertible debenture – Note 6	250,000	-
Common shares subscribed – Note 12	96,750	-
Contributed surplus	141,250	94,750
Deficit	(2,602,935)	(1,997,317)
	940,605	871,485
	$ 1,135,693	$ 1,328,896

Nature and Continuance of Operations – Note 1
Commitments – Notes 4 and 7
Contingency – Note 11
Subsequent Events – Note 12

APPROVED BY THE DIRECTORS:

"Shaun Ledding" Director *"David Hodge"* Director

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF LOSS AND DEFICIT
for the years ended October 31, 2004 and 2003

	2004	2003
Administrative costs		
Accounting fees	$ 29,275	$ 28,875
Administration fees – Note 8	25,200	25,200
Advertising	33,376	21,716
Amortization	1,443	1,899
Bank charges and interest	11,697	7,232
Consulting fees – Note 8	13,462	41,558
Filing fees	7,918	17,731
Interest on convertible debenture	80,000	-
Legal fees	-	27,053
Office and miscellaneous	16,111	18,904
Printing and shareholder information	6,531	10,981
Rent – Note 8	12,000	12,000
Stock-based compensation – Note 2	46,500	94,750
Telephone	6,823	6,260
Transfer agent fees	10,037	9,571
Travel and promotion	13,047	29,323
Wages and benefits – Note 8	83,257	80,492
Loss before other	(396,677)	(433,545)
Other:		
Miscellaneous income	4,122	9,386
Write-down of resource properties – Note 4	(294,946)	(354,069)
Foreign exchange gain (loss)	(39,511)	43,011
Excess of proceeds over cost from disposition of resource properties – Schedule I	137,999	-
Write-down of marketable securities	(16,605)	-
Net loss for year	(605,618)	(735,217)
Deficit, beginning of the year	(1,997,317)	(1,262,100)
Deficit, end of the year	$ (2,602,935)	$ (1,997,317)
Basic and diluted loss per share	$ (0.03)	$ (0.04)
Weighted average number of shares outstanding	20,608,387	17,159,646

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF CASH FLOWS
for the years ended October 31, 2004 and 2003

	2004	2003
Operating Activities:		
Net loss for the year	$ (605,618)	$ (735,217)
Add (deduct) items not affecting cash:		
Write-down of marketable securities	16,605	-
Gain (loss) on disposition of marketable securities	1,355	(8,737)
Amortization	1,443	1,899
Excess of proceeds over cost from disposition of resource properties	(137,999)	-
Accrued interest payable	80,000	-
Foreign exchange on convertible debenture	38,415	(43,101)
Stock-based compensation	46,500	94,750
Write-down of resource properties – Note 4	294,946	354,069
	(264,353)	(336,337)
Changes in non-cash working items related to operations:		
Advances receivable	(162)	4,000
Prepaid expenses	(5,758)	-
GST receivable	(1,843)	21,018
Mining tax credit receivable	-	53,180
Accounts payable	6,526	(14,083)
Promissory note payable	-	(100,846)
Advance on exploration expenditures	(32,654)	32,654
Cash used in operating activities	(298,244)	(340,414)
Financing Activities:		
Issue of share capital for cash	145,087	252,393
Common shares subscribed	96,750	-
Advances from related parties	22,791	76,001
Cash provided by financing activities	264,628	328,394
Investing Activities:		
Acquisition of resource properties	(13,000)	-
Proceeds from property option agreements	50,000	28,750
Reclamation bonds	-	(2,000)
Proceeds from sale of marketable securities	125,500	57,737
Acquisition of marketable securities	(10,100)	(15,000)
Deferred exploration and development costs	(64,559)	(52,760)
Cash provided by investing activities	87,841	16,727
Increase in cash during the year	54,225	4,707
Cash, at beginning of year	8,347	3,640
Cash, at end of year	$ 62,572	$ 8,347

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COMMERCE RESOURCES CORP.
STATEMENTS OF CASH FLOWS
for the years ended October 31, 2004 and 2003

Continued

	2004	2003
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -

Non-cash Transactions – Note 10

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.

Schedule I

SCHEDULE OF RESOURCE PROPERTIES

for the years ended October 31, 2004 and 2003

	Year ended October 31, 2004						
	AU Claims	Aubyrd Claims	Comm Claims	Commerce Claims	Verity & Fir Claims	Other Claims	Totals
Acquisition costs							
Balance, beginning of the year	$ 50,000	$ 84,508	$ 84,513	$ 138,750	$ -	$ -	$ 357,771
Cash	-	-	-	-	-	13,000	13,000
Marketable securities	-	-	-	-	-	10,000	10,000
Balance, end of the year	50,000	84,508	84,513	138,750	-	23,000	380,771
Deferred exploration and development costs:							
Balance, beginning of the year	-	5,175	5,175	5,175	828,670	9,875	854,070
Assays	-	-	-	-	8,402	-	8,402
Drafting	-	-	-	-	795	-	795
Drilling	-	13,449	-	-	-	-	13,449
Equipment rent	-	-	-	-	2,340	-	2,340
Geological consulting fees	-	3,464	-	-	5,184	527	9,175
Geological modelling	-	-	-	-	425	-	425
Lab analysis	-	774	-	-	24,906	-	25,680
Metallurgy	-	-	-	-	3,717	-	3,717
Overhead	-	1,381	-	-	387	1,333	3,101
Recording fees	-	-	-	-	-	3,620	3,620
Road	-	12,000	-	-	-	-	12,000
Sampling	-	-	-	-	-	1,000	1,000
Staking	-	4,330	-	-	-	3,466	7,796
Supplies and miscellaneous	-	-	-	-	427	-	427
Travel	-	4,906	-	-	-	380	5,286
Less: exploration costs recovered	-	(32,654)	-	-	-	-	(32,654)
	-	7,650	-	-	46,583	10,326	64,559
Balance, end of the year	-	12,825	5,175	5,175	875,253	20,201	918,629
Total before proceeds and write-downs	50,000	97,333	89,688	143,925	875,253	43,201	1,299,400
Less: proceeds on disposition of interests	-	(12,000)	(12,000)	(12,000)	-	(181,200)	(217,200)
Less: write-downs of resource property	-	(85,333)	(77,688)	(131,925)	-	-	(294,946)
Adjustment of mineral exploration tax credit – Note 4	-	-	-	-	63,555	-	63,555
	50,000	-	-	-	938,808	(137,999)	850,809
Excess of proceeds over cost from disposition of resource properties	-	-	-	-	-	137,999	137,999
Balance, October 31, 2004	$ 50,000	$ -	$ -	$ -	$ 938,808	$ -	$ 988,808

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
SCHEDULE OF RESOURCE PROPERTIES
for the years ended October 31, 2004 and 2003

Schedule I

	Year ended October 31, 2003						
	AU Claims	Aubyrd Claims	Comm Claims	Commerce Claims	Verity & Fir Claims	Other Claims	Totals
Acquisition costs							
Balance, beginning of the year	$ 355,370	$ 100,758	$ 100,763	$ 155,000	$ -	$ -	$ 711,891
Less: option agreements proceeds	-	(16,250)	(16,250)	(16,250)	-	-	(48,750)
Balance, end of the year	355,370	84,508	84,513	138,750	-	-	663,141
Deferred exploration and development costs							
Balance, beginning of the year	48,699	5,175	5,175	5,175	785,785	-	850,009
Assays	-	-	-	-	3,434	-	3,434
Drilling	-	10,596	-	-	-	-	10,596
Equipment rent	-	-	-	-	500	-	500
Geological consulting fees	-	6,343	-	-	17,515	-	23,858
Geological modelling	-	-	-	-	7,814	-	7,814
Lab analysis	-	-	-	-	3,316	-	3,316
Labour	-	-	-	-	-	-	-
Mapping	-	81	-	-	3,097	-	3,178
Metallurgy	-	-	-	-	19,813	-	19,813
Overhead	-	326	-	-	1,926	381	2,633
Recording fees	-	-	-	-	-	2,710	2,710
Road	-	-	-	-	-	-	-
Staking	-	-	-	-	-	620	620
Supplies and miscellaneous	-	-	-	-	139	618	757
Travel	-	-	-	-	9,647	4,274	13,921
Vehicle	-	-	-	-	-	1,272	1,272
Less: exploration costs recovered	-	(17,346)	-	-	(11,900)	-	(29,246)
Less: mining tax credit	-	-	-	-	(12,416)	-	(12,416)
	-	-	-	-	42,885	9,875	52,760
Balance, end of the year	48,699	5,175	5,175	5,175	828,670	-	902,769
	404,069	89,683	89,688	143,925	828,670	9,875	1,565,910
Less: write-down of resource property	(354,069)	-	-	-	-	-	(354,069)
Total	$ 50,000	$ 89,683	$ 89,688	$ 143,925	$ 828,670	$ 9,875	$1,211,841

SEE ACCOMPANYING NOTES

Note 1 Nature and Continuance of Operations

Commerce Resources Corp. (the "Company") is a public company incorporated on May 19, 1999 under the Company Act of British Columbia and is in the business of acquiring, exploring, developing and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At October 31, 2004, the Company was in the exploration stage and had interests in properties located in British Columbia.

The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

The financial statements have been prepared using Canadian generally accepted accounting principles applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. As at October 31 2004, the Company had a working capital deficiency of $83,586, had not yet achieved profitable operations and has accumulated losses of $2,602,935 since its inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Note 2 Change in Accounting Policy

Effective for fiscal years commencing on or after January 1, 2004, Canadian generally accepted accounting principles require the fair value of all share purchase options to be expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Previously only share purchase options granted to non-employees followed this method and options granted to employees were not expensed.

The Company has adopted the new policy on a prospective basis with no restatement of prior periods. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

Note 2 Change in Accounting Policy – (cont'd)

Had the Company expensed the fair value of employee share purchase options in prior periods, the following pro forma amounts would have resulted.

		Year ended October 31, 2003
Net loss	As reported	$ (735,217)
	Pro-forma	$ (766,467)
Basic and diluted loss per share	As reported	$ (0.04)
	Pro-forma	$ (0.04)

Assumptions used for the Black-Scholes model are as follows:

	2004	2003
Weighted average fair value of options granted	$0.065	$0.055
Expected dividend yield	0.0%	0.0%
Expected volatility	79.2-87.1%	71.6%
Risk-free interest rate	1.98-2.88%	2.5%
Expected term in years	2	4

Note 3 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results could vary from these estimates.

The financial statements, have in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Marketable Securities

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

b) Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

c) Capital Assets and Amortization

Capital assets are recorded at cost and are amortized over their useful lives using the declining balance method using the following annual rates:

Furniture and equipment	20%
Computer equipment	30%

Additions during the year are amortized at one-half the annual rates.

d) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities are exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities if the "if converted" method. Fully dilutive amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

e) Fair Market Value of Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash, marketable securities, advances receivable, accounts payable, due to related party and convertible debenture approximate their fair values due to the short maturity of such instruments. The fair market value of due from related parties is also assumed to approximate their carrying amount. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

f) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

g) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

h) Mining Tax Credits

The Company recognizes mining tax credits when the mining tax credit application is approved by Canada Revenue Agency auditors or when the amount to be received can be reasonably estimated and collection is reasonably assured.

i) Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction dates. Foreign currency denominated revenues and expenses are translated at exchange rates prevailing at the transaction dates. Gains or losses arising from the translations are recognized in the current year.

Note 4 Resource Properties

AU Property

The Company has a 100% interest (subject to a net smelter return royalty) in 26 mineral claims located in the Nicola Mining Division of British Columbia known as the AU Property. During the year ended October 31, 2003, the Company recorded a write-down of $354,069 representing a write-down of the Au Property to management's estimated net realizable value of $50,000.

Aubyrd Claims

The Company had a 100% interest (subject to a 3% smelter return royalty of which the Company may purchase 2% for $1,000,000) in four mineral claims located in the Fort Steele Mining Division of British Columbia known as the Aubyrd Claims.

During the year ended October 31, 2004, the Company decided, based on its exploration results to date, to discontinue further exploration on the property, and $84,508 in acquisition costs and $770 in deferred exploration costs were written off.

Comm Claims

The Company had a 100% interest (subject to a 3% smelter return royalty of which the Company may purchase 2% for $1,000,000) in four mineral claims located in the Fort Steele Mining Division of British Columbia known as the Comm Claims.

During the year ended October 31, 2004, the Company allowed the Comm claims to lapse and $84,513 in acquisition costs and $5,175 in deferred exploration costs were written off.

Commerce Claims

The Company had a 100% interest (subject to a 3% smelter return royalty of which the Company may purchase 2% for $1,000,000) in four mineral claims located in the Fort Steele Mining Division of British Columbia known as the Commerce Claims.

During the year ended October 31, 2004, the Company allowed the Commerce claims to lapse and $138,750 in acquisition costs and $5,175 in deferred exploration costs were written off.

Verity and Fir Claims

The Company acquired a 100% interest in its Verity and Fir claims, located in the Kamloops Mining District of British Columbia, by incurring staking costs.

Other Claims

During the year ended October 31, 2004:

a) The Company acquired certain other mineral claims for consideration consisting of $5,000 (paid) and $100,000 per year for each year the property is in commercial production up to a maximum of $300,000.

b) The Company acquired an option to earn a 100% interest in certain other mineral claims. Consideration payable was $5,000 (paid) and incurring exploration expenditures of $250,000. Prior to incurring any exploration expenditures, the Company sold the option agreement to another public company for $20,000 (received) and 120,000 shares (received) of the other public company.

Resource Property Options

During the year ended October 31, 2003, the Company granted an option agreement to another non-related public company to earn a 50% interest in the Company's Aubyrd, Comm and Commerce claims. Consideration to be received was $10,000 cash, $300,000 in exploration expenditures and 300,000 shares of the Optionee. The Company received cash payments totaling $10,000 and received 100,000 shares of the Optionee during the year ended October 31, 2003. During the year ended October 31, 2004, the Optionee abandoned the option agreement.

Mining Tax Credits

During the year ended October 31, 2004, Canada Revenue Agency assessed and disallowed the Company's application for a British Columbia mineral exploration tax credit on expenditures made on the Verity and Fir claims. The disallowed amount, which was recorded as a receivable at October 31, 2003, has been added back to the resource property costs.

Note 5 Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net	Net
Computer equipment	$ 4,261	$ 3,019	$ 1,242	$ 1,775
Furniture and equipment	7,903	4,261	3,642	4,551
	$ 12,164	$ 7,280	$ 4,884	$ 6,326

Note 6 Convertible Debenture – Note 12

The convertible debenture of US$160,462 was secured by a charge over the assets of the Company. During the year ended October 31, 2004, the date due was amended to March 1, 2005 and the Company and the lender agreed to fix the amount at CDN$250,000 and to retroactively pay interest at 12% per annum Accrued interest payable of $80,000 was recorded during the year ended October 31, 2004. The debenture can be converted into units of the Company at the rate of $0.12 per unit, at the option of the lender, at any time prior to the due date provided a minimum of $50,000 is converted. Each unit is to consist of one common share and one non-transferable share purchase warrant entitling the lender the right to purchase one additional common share of the Company for a period of two years at $0.12 per share. Subsequent to October 31, 2004, the debenture was converted into 2,083,333 units of the Company and $60,000 of the accrued interest payable was paid by the issuance of 400,000 common shares.

Note 7 Share Capital – Note 11

Authorized:

100,000,000 common shares without par value

Issued:

		2004		2003	
		Number	Amount	Number	Amount
Balance, beginning of the year		18,642,695	$ 2,774,052	16,052,765	$ 2,521,659
Issued to settle debts	– at $0.11	1,240,010	136,401	-	-
Issued for cash:					
– Pursuant to private placements					
	– at $0.10	1,235,869	123,587	2,507,430	250,743
Less: issuance costs		-	-	-	(6,600)
– Pursuant to the exercise of					
warrants	– at $0.10	215,000	21,500	82,500	8,250
Balance, end of the year		21,333,574	3,055,540	18,642,695	$ 2,774,052

Commitments:

Stock-based Compensation Plan

The Company has granted employees and directors common share purchase options. These options were granted with an exercise price equal to their fair value on the date of the grant and vest immediately.

A summary of the stock option plan is presented below:

	Years ended October 31,			
	2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at the beginning of the year	1,400,000	$0.10	706,000	$0.20
Granted	710,000	$0.14	2,200,000	$0.10
Cancelled	(150,000)	$0.11	(800,000)	$0.10
Expired	-	-	(706,000)	$0.20
Options outstanding and exercisable at the end of the year	1,960,000	$0.11	1,400,000	$0.10

At October 31, 2004, the Company had 1,960,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

Number	Exercise Price	Expiry Date
500,000	$0.14	December 29, 2005
160,000	$0.13	April 30, 2006
1,300,000	$0.10	January 23, 2007
1,960,000		

At October 31, 2004, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share:

Number	Exercise Price	Expiry Date
1,020,869	$0.10	January 6, 2005
103,000	$0.14	January 30, 2005
2,507,430	$0.12	May 26, 2005
3,631,299		

Note 8 Related Party Transactions – Note 3

The Company incurred charges with directors of the Company and a company with a common director as follows:

	Years ended October 31, 2004	2003
Administration fees	$ 25,200	$ 25,200
Consulting fees	9,288	16,221
Deferred exploration and development costs	16,676	51,564
Rent	12,000	12,000
Wages and benefits	83,257	80,942
	$ 146,421	$ 185,927

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

At October 31, 2004, due from related parties of $18,500 (2003: $9,500) is due from a director of the Company and a company with a director in common, unsecured, non-interest bearing and has no specific terms of repayment.

At October 31, 2004, prepaid expenses includes $5,758 (2003: $Nil) of charges incurred with a company controlled by a director of the Company.

At October 31, 2004, accounts payable includes $Nil (2003: $8,954) due to a director of the Company and to a company with a common director.

At October 31, 2004, due to related party of $38,068 (2003: $131,348) is due to a company with common directors, unsecured, non-interest bearing and has no specific terms for repayment.

Note 9 Corporation Income Taxes

The Company has accumulated $1,024,162 of Canadian development and resource expenditures and non-capital losses totalling $1,353,876 which are available to offset future years' taxable income. The non-capital losses expire as follows:

2007	$ 29,847
2008	386,319
2009	386,658
2010	254,663
2011	296,389
	$ 1,353,876

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

	2004	2003
Non-capital losses	$ 482,251	$ 391,270
Capital assets	2,593	2,160
Canadian development and exploration expenditures	12,593	(72,534)
	497,437	320,896
Less: valuation allowance	(497,437)	(320,896)
	$ -	$ -

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward period to utilize all the future tax assets.

Note 10 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

During the year ended October 31, 2004:

a) the Company issued 1,137,010 shares at $0.11 per share and 103,000 units at $0.11 per unit pursuant to agreements to settle debts totalling $136,401;

b) the Company received 360,000 common shares having a market value of $0.25 per share for proceeds of $90,000 pursuant to an agreement to sell certain mineral claims;

c) the Company received 120,000 common shares having a market value of $0.26 per share for proceeds of $31,200 pursuant to an agreement to sell certain mineral claims;

d) the Company received 100,000 common shares having a market value of $36,000 pursuant to terms of a resource property agreement; and

e) the Company acquired mineral claims for consideration that included marketable securities having a value of $10,000.

f) the mineral exploration tax credit, previously credited to the cost of resource properties was added back to resource property costs.

During the year ended October 31, 2003:

a) the Company received, pursuant to a property option agreement, 100,000 common shares of another public company valued at $0.20 per share for total proceeds of $20,000.

Note 11 Contingency

A claim has been filed against the Company seeking an enforcement of a trust agreement in respect of certain mineral claims. Management is of the opinion that this claim is without merit. The amount of potential loss, if any, from this claim is not determinable.

Note 12 Subsequent Events

Subsequent to October 31, 2004, the Company:

a) issued 1,020,851 common shares at $0.10 per share for total proceeds of $102,085 pursuant to the exercise of share purchase warrants

b) issued 103,000 common shares at $0.14 per share for total proceeds of $14,420 pursuant to the exercise of share purchase warrants.

c) issued 171,000 common shares at $0.12 per share for total proceeds of $20,520 pursuant to the exercise of share purchase warrants.

d) issued 20,000 common shares at $0.13 per share for total proceeds of $2,600 pursuant to the exercise of share purchase options.

e) issued 25,000 common shares at $0.10 per share for total proceeds of $2,500 pursuant to the exercise of share purchase options.

f) issued 2,083,333 units of the Company at $0.12 per unit pursuant to the conversion of the convertible debenture. Each unit consists of one common share and one common share purchase warrant entitling the holder to purchase an additional common share for $0.12 per share for a period of two years.

g) issued 400,000 common shares at $0.15 per share for payment of $60,000 of interest accrued at October 31, 2004, on the convertible debenture.

h) issued 1,300,000 units at $0.15 per unit for total proceeds of $195,000 pursuant to a private placement. Each unit consists of one common share and one-half share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $0.25 per share for a period of one year. As at October 31, 2004 the Company had received $96,750 of the total proceeds.

i) granted share purchase options to purchase up to 100,000 shares at $0.20 per share for a period of two years.

Note 13 Comparative Figures

Certain of the comparative figures for the year ended October 31, 2003, have been reclassified to conform to the current year presentation.