

**ALTO VENTURES LTD.**

**INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)**

**FOR THE THREE MONTH PERIOD ENDED**

**SEPTEMBER 30, 2004**

Management has compiled the unaudited interim financial statements of Alto Ventures Ltd. for the three month period ended September 30, 2004 (along with the comparative interim period in 2003). These statements have not been reviewed by the Company's external auditors.

## **Report to Shareholders**

### **For the Period Ending September 30, 2004**

During the quarter, Alto completed its \$800,000 financing announced as part of its reorganization and entered into an agreement under which it may to acquire the “Mud Lake” property in the Geraldton-Beardmore gold district. Subsequent to the quarter, the Company announced another agreement under which it may to acquire the “Cote-Archie Lake” property in the Beardmore area and recent trenching results on the property. Alto commenced an exploration program on the Alcudia property adjoining the Windfall Lake property held by Noront Resources Ltd. where encouraging drilling results were announced in October. More detailed information can be seen on the Company’s Annual report filed on SEDAR ([www.sedar.com](http://www.sedar.com))

The Company is making preparations for the commencement of a drill program in December, 2004 on the Despinassy property nearby Val D’Or, Quebec. The Despinassy property is a shear hosted quartz vein deposit that was discovered by Cameco Gold Inc. through a 20,000 metre drill campaign undertaken from 1998 to 2001. Alto plans a 5,000 metre drill program to further test areas of significant gold mineralization in the discovery area and to test other geophysical targets along the 10 kilometre strike length of the alteration/deformation corridor hosting the Despinassy gold mineralization. Alto can acquire purchase a 70% interest in the project by making a series of cash and share payments over five years.

In addition, plans are underway for the drilling at the Oxford Lake, Manitoba and Coldstream, Ontario properties in 2005. The Company will be seeking financing in the form of non floequity issues which may also include w through and “flow through” funding by way of private placements. These financings will be used to initiate these programs. We are therefore looking forward to an active exploration season and renewed market interest in the Company.

On behalf of the Board of Directors

Richard Mazur  
President and CEO

**ALTO VENTURES LTD** a development stage company  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Description of Business**

The Company is a junior mining company whose primary focus is on exploration, development and acquisitions in Manitoba, Ontario and Quebec. The Company announced on April 21, 2004 that it had entered into a series of transactions that it believes should substantially advance the Company's ambition to become a significant explorer for gold in Canada. Through these transactions, the Company has or will acquire four gold properties in Manitoba, Ontario and Quebec to add to its Coldstream project in northwestern Ontario. In connection with these transactions, Alto undertook an initial financing of \$800,000 which closed on September 15, 2004, acquired an experienced and recognized management team with an impressive track record in the mineral exploration business and enhanced the position of its major shareholder, a UK- based company with important relationships to the European financial community.

**Hidefield Asset Acquisition**

The Company entered into a letter of intent (the "LOI") dated June 4, 2004 with Hidefield PLC (AIM:HIF) ("Hidefield"), providing for the acquisition by the Company of certain Canadian mineral properties held by Hidefield. Hidefield holds approximately 18% of the shares of the Company and the Executive Chairman of Hidefield, John Prochnau, is also a director of the Company. Under the terms of the LOI, the Company would issue a total of 10,700,000 common shares of the Company at a deemed price of \$0.10 per share to Hidefield in order to acquire the Greenoaks gold property, Ontario, the Dog Lake gold property, Ontario and Hidefield's 50% interest in the Oxford Lake gold property, Manitoba. The Oxford Lake property is the subject of a 50-50 joint venture with Anglo Pacific Group PLC, a company at arms length to the Company, and in this regard the Company also entered into a letter of intent dated June 4, 2004 with Anglo Pacific Group PLC to acquire its 50% interest in the Oxford Lake property for 4,000,000 common shares of the Company having a deemed price of \$0.10 per share. These agreements have received conditional regulatory approval but is subject to the Company raising sufficient capital to undertake an exploration program. No formal valuation has been obtained in respect of the above referenced transactions nor, to the knowledge of the directors or officers of the Company, has any valuation relating to the transactions otherwise been made within the past 24 months.

**Cameco Option to Purchase**

The Company also reached agreement with Mirador Management Co. ("Mirador") a partnership at arms length to the Company, wherein Mirador has agreed to assign its rights to acquire an option (the "Cameco Option") from Cameco Corporation on its 70% interest in the Despinassy gold property, Quebec. As consideration for the assignment, the Company is to reimburse Mirador for a \$10,000 payment made to Cameco in order to secure the Cameco Option and issue 200,000 shares of the Company at a deemed price of \$0.10 per share. Under the terms of the Cameco Option, the Company to made an initial cash payment to Cameco of \$40,000 on execution of a definitive option agreement, pay a further \$50,000 in cash or shares, at the Company's option, after 6 months, make 4 further payments of \$100,000, as to \$25,000 in cash and \$75,000 in cash or shares at the Company's option, annually on the anniversary dates of execution of a definitive option agreement and make a final payment on the 5th anniversary date of execution of \$50,000 in cash and \$150,000 in cash or shares at the Company's option. The Cameco Option contemplates that any shares issued as consideration would be at a deemed price equal to the average closing price of the Company's shares over the 30 days preceding payment.

The Despinassy property is currently the subject of a 70-30 joint venture between Cameco and Commander Resources Ltd. (TSX.V: CMD) under which Commander holds a right of first refusal to acquire Cameco's 70% interest. Commander has agreed to waive this right in consideration of the issuance of 100,000 common shares of the Company at a deemed price of \$0.10 per share and a commitment by the Company to use its best efforts to incur at least \$500,000 of exploration expenditures over two years on the Despinassy property, with Commander's obligations therein to be carried to a maximum of \$150,000.

## Results of Operations

The Company recorded a loss during the quarter ended September 30, 2004 of \$300,000 as compared to a loss of \$17,000 in the 1<sup>st</sup> quarter of the previous year. The increase over the same period of the previous year is largely attributable to the non-cash expensing of the stock options that were granted during the quarter and valued for the purposes of that treatment at \$221,000 and the increased exploration activity which has been undertaken following the completion of the \$800,000 financing during the quarter. This increase in exploration coincided with and in increase in general and administrative costs of the Vancouver office, management services, rent and travel. Also the regulatory fees were higher as a consequence of the costs of share issuances and compliance arising therefrom.

## Summary of Quarterly Results

	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
	2004	2004	2004	2003	2003	2003	2003	2002
<b>Financial results</b>								
Net loss for period	299,850	497,862	50,438	34,040	17,408	40,208	43,018	50,137
Basic and diluted loss per share	0.03	0.05	0.01	0.01	0.01	0.01	0.01	0.02
Expenditure on resource properties	138,495	6,261	21,806	8,563	10,039	9,027	9,823	27,440
<b>Balance sheet data</b>								
Cash and cash equivalents	393,081	135,922	362	5,508	633	896	4,959	62,776
Resource properties	354,013	271,768	803,821	782,015	773,452	768,413	777,618	680,783
Total assets	943,934	421,040	805,609	789,932	782,429	780,602	792,654	753,360
Shareholders' equity	539,559	2,842	584,276	634,713	668,754	522,012	562,221	446,064

## Financial Condition, Liquidity and Capital Resources

The cash on hand at September 30, 2004 was \$393,000 which is an increase of \$257,000 during the quarter. These funds will be primarily used for acquisition and exploration on mineral properties. As at Sept 30, 2004 the common shares issued and outstanding were 16,320,473. During the quarter a total of 8,365,678 shares were issued for a private placement and as a settlement of \$36,567 of debt. On September 30, 2004 the Company granted 1,500,000 stock options to its Directors, Officers, and consultants at a price of \$0.15 for terms of 1 to 5 years. The new accounting policy requiring the expensing stock-based compensation resulted in a non cash \$221,000 expense.

## Transactions with Related Parties

The Company issued 356,675 common shares having a deemed price of \$0.10 per share to settle a debt owing by it to Hidefield for advances to and on behalf of the Company as disclosed in the annual report.

## Additional Disclosure for Venture Issuers Without Significant Revenue

The capitalized exploration and development costs are presented in the notes to the financial statements.

General and administration expenses are presented in detail in the Statements of Loss and Deficit.

There were no material costs incurred during the period.

### Disclosure of Outstanding Share Data

The following table details the share capital structure as at November 26, 2004, the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future financial statements.

	Expiry date	Exercise price	Number	Number
Common shares				16,349,044
Share purchase options	August 30, 2007	\$ 0.10	131,000	
	September 15, 2005	\$ 0.15	200,000	
	September 15, 2009	\$ 0.15	<u>1,300,000</u>	1,631,000
Warrants	September 16, 2005	\$ 0.20		<u>8,000,000</u>
Fully diluted as at November 26, 2004				<b>25,980,044</b>
Shares issuable upon completion of the Hidefield asset acquisition (see Hidefield Asset Acquisition paragraph above)				<u>14,700,000</u>
Fully diluted after Hidefield acquisition				<u><u>40,680,044</u></u>

### Outlook

The Company, through its acquisition of new gold projects pending initial financing and emplacement of a new management team, anticipates an active year of exploration on its properties. Drill programs for both the Oxford Lake and the Despinassy projects are planned from the upcoming winter drill season. The Company will be seeking further funding for these programs through a combination of flow-through and non-flow-through share financing.

**ALTO VENTURES LTD.** a development stage company

**Balance Sheets**

as at

	September 30 2004	June 30 2004
<b>Assets</b>		
Current		
Cash and equivalents	\$ 393,081	\$ 135,922
Amounts receivable	136,833	12,456
	<u>529,914</u>	<u>148,378</u>
Investments	56,250	-
PP&E, at cost net of accumulated amortization	3,757	894
Mineral properties (note 4)	354,013	271,768
	<u>\$ 943,934</u>	<u>\$ 421,040</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 88,776	\$ 93,970
Due to related parties	94,678	114,228
	<u>183,454</u>	<u>208,198</u>
Subscriptions	-	210,000
<b>Shareholders' Equity</b>		
Contributed surplus	220,921	-
Share capital (Note 5)	6,668,662	5,832,095
Deficit	(6,129,103)	(5,829,253)
	<u>760,480</u>	<u>2,842</u>
	<u>\$ 943,934</u>	<u>\$ 421,040</u>

Going concern (note 1)

Approved by the board:

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**Alto Ventures Ltd.** a development stage company

**Statements of Loss and Deficit**

**Three months ended September 30**

	<b>2004</b>	2003
		(note 2i)
<b>General &amp; Administration</b>		
Amortization	\$ 120	\$ 82
Consulting, management and professional fees	46,148	22,053
Interest and bank charges	245	60
Office and miscellaneous	12,286	994
Rent	3,000	3,000
Shareholder information	1,064	569
Stock based compensation	220,921	-
Telephone	1,329	261
Transfer agent and regulatory fees	8,594	969
Travel and promotion	6,143	263
Expenses before undernoted	<u>299,850</u>	28,251
<b>Gain on settlement of debt</b>	-	(7,964)
<b>Mineral properties written down</b>	-	5,000
<b>Other income</b>	-	(7,879)
<b>Net loss for the period</b>	<u>299,850</u>	17,408
<b>Deficit, beginning of period</b>	<u>5,829,253</u>	5,229,505
<b>Deficit, end of period</b>	<u>\$ 6,129,103</u>	<u>\$ 5,246,913</u>
<b>Loss per share - basic and diluted</b>	<u>\$ 0.03</u>	<u>\$ 0.01</u>

**ALTO VENTURES LTD.** a development stage company

**Statements of Cash Flow**

**Three months ended September 30**

	<b>2004</b>	2003 (note 2i)
<b>Operating Activities</b>		
Net loss for the year	<b>\$ (299,850)</b>	\$ (17,408)
Items not affecting cash		
Amortization	<b>120</b>	82
Stock based compensation	<b>220,921</b>	–
Gain on settlement of debt	–	(7,964)
Resource assets written down	–	5,000
	<b>(78,809)</b>	(20,290)
Changes in non-cash working capital	<b>(112,554)</b>	18,364
	<b>(191,363)</b>	(1,926)
<b>Financing activities</b>		
Subscriptions received	<b>(210,000)</b>	–
Common shares issued	<b>800,000</b>	11,702
	<b>590,000</b>	11,702
<b>Investing activities</b>		
P. P. & E.	<b>(2,983)</b>	–
Mineral property expenditures (note 4)	<b>(138,495)</b>	(10,039)
	<b>(141,478)</b>	(10,039)
Increase (decrease) in cash and equivalents	<b>257,159</b>	(263)
Cash and equivalents, beginning of period	<b>135,922</b>	896
Cash and equivalents, end of period	<b>\$ 393,081</b>	\$ 633

**ALTO VENTURES LTD.**, a development stage company  
**NOTES TO THE FINANCIAL STATEMENTS**  
(UNAUDITED)  
September 30, 2004

**1. NATURE OF OPERATIONS**

Alto Ventures Ltd (“the Company”) is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. These financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Its ability to continue as a going concern is dependent upon the continued support of the related parties, the ability of the Company to raise equity financing, the discovery of economically recoverable reserves and the attainment of profitable operations. 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.

**2. BASIS OF PRESENTATION**

The interim period financial statements have been prepared by the Company, in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain inform and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company’s latest annual report. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

**3. LOSS PER SHARE**

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

**ALTO VENTURES LTD.** a development stage company  
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**4. MINERAL PROPERTIES**

	2004	Acquisitions	exploration	Write-down	2004
Alcudia Claims	\$ 83,203	\$ -	\$ 1,537	\$ -	\$ 84,740
Coldstream Property	109,862	-	13,328	-	123,190
Windfall Lake Claims	56,250	-	-	(56,250)	-
Oxford Lake	12,337	-	17,511	-	29,848
Despinassy	8,116	40,000	9,336	-	57,452
Mud Lake	-	20,000	3,703	-	23,703
Cote Archie Lake	-	20,000	-	-	20,000
Other projects	2,000	-	13,080	-	15,080
Total mineral properties	<u>\$ 271,768</u>	<u>\$ 80,000</u>	<u>\$ 58,495</u>	<u>\$ (56,250)</u>	<u>\$ 354,013</u>

Deferred exploration costs by activity

	three months to September 30, 2004	three months to September 30, 2003
Assessment reports and filing works	\$ 27,340	\$ -
Acquisition	80,000	10,000
License, permits and taxes	-	-
Travel, camp, and other	12,858	39
Mobilization	4,340	-
Mapping	12,628	-
Assays	(1,744)	-
Line Cutting / Staking	3,073	-
	<u>\$ 138,495</u>	<u>\$ 10,039</u>

a) Alcudia Claims

Pursuant to an agreement dated February 22, 1996 the Company acquired from Alcudia Capital Incorporated (“Alcudia”) a 100% interest in 20 mineral claims located in Urban Township, Province of Quebec. As consideration, the Company issued 100,000 common shares valued at \$10,000 (\$0.10 per share). The property is subject to a 2% net smelter return royalty in favor of Alcudia in which a former director has an interest. Pursuant to the agreements dated May 1, 1999, the Company swapped 50% of its interest in these claims for interests in Dennis Lake and Sarah Lake properties.

**ALTO VENTURES LTD.**, a development stage company  
NOTES TO THE FINANCIAL STATEMENTS  
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September 30, 2004

**4. MINERAL PROPERTIES (continued)**

b) Coldstream Property

Pursuant to a letter of agreement dated August 1, 2002 with Hidefield, PLC, a company with directors in common with the Company, the Company was granted an option to acquire a 100% interest in 71 contiguous patented claims and licenses of occupation in the Burchell Lake area, Thunder Bay, Ontario. As consideration, the Company issued 800,000 shares valued at \$80,000 (\$0.10 per share) to Hidefield, PLC and is required to expend \$100,000 in exploration expenditures over a three year period. The property is subject to a 2% net Smelter Royalty. The Company also staked twenty mining claims adjoining the property. Pursuant to another letter agreement dated October 28, 2002 with Kinross Gold Corporation ("Kinross") the Company had granted Kinross an option to acquire a 60% interest in the property. As consideration, Kinross had committed to spend \$200,000 prior to October 17, 2003 and an additional \$1,300,000 by October 17, 2004. On June 10, 2003, Kinross withdrew from the option, and \$8,000 was paid to the Company as complete fulfillment of its commitments on the property

c) Windfall Lake Claims

On July 28, 2004 the Company sold its 12.5% interest in the property to Noront Resources Ltd. ("Noront") in consideration for 375,000 common shares of Noront valued at \$56,250 and a 0.5% Net Smelter Return Royalty on any production from the Windfall and Alcane properties in Quebec.

d) Greenoaks Gold Property

Pursuant to an agreement with The Other Mining Company (U.S.) Inc. ("TOMC") dated August 1, 2002, the Company was given the option to acquire a 100% interest in 15 leasehold patents located in the Beardmore-Geraldton Gold District, Northwest Ontario. As consideration, the company will issue at its option 200,000 common shares to TOMC. A 2% Net Smelter Royalty is also payable on production. Due to the delayed TSX approval because of insufficient working capital, management has written off for conservative purposes, the total costs incurred of \$11,000 at June 30, 2004. The Company still intends to pursue this property once requirements are met.

e) Oxford Lake Property

By agreements dated June 4, 2004 the Company agreed to purchase the Oxford Lake gold property located in the Gods Lake area of northern Manitoba from Hidefield plc (Symbol "HIF"), a company with directors in common with the Company and an AIM listed company on the London Stock Exchange and Anglo Pacific Group plc (Symbol "APF"), listed on the London Stock Exchange, in consideration for 10,700,000 common shares of Alto to HIF and 4,000,000 common shares to APF. These agreements have received conditional regulatory approval and subject to the Company raising sufficient capital to undertake an exploration program.

f) Mud Lake Property

**ALTO VENTURES LTD.**, a development stage company  
**NOTES TO THE FINANCIAL STATEMENTS**  
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On August 1, 2004 the Company entered into an option to acquire a 100% interest in the Mud Lake property by making a cash payment of \$10,000 and issuing 50,000 shares of Alto, a cash payment of \$15,000 and issuing 50,000 shares of Alto upon the first anniversary date of the agreement and a cash payment of \$15,000 and issuing 50,000 shares of Alto upon the second anniversary date of the agreement. The vendors will retain a 2.5% net smelter return royalty (NSR) and Alto has the right to buyback 1.5% of the NSR for \$500,000. The Mud Lake property consists of 1,664 hectares located in the Geraldton – Beardmore gold camp.

g) Cote-Archie Lake

On September 13, 2004 the Company obtained the option to acquire a 100% interest in the Archie Lake property by making a cash payment of \$20,000 and issuing 50,000 common shares of the Company on signing of the agreement, a cash payment of \$10,000 and issuing 50,000 shares upon the first anniversary date of the agreement and a cash payment of \$10,000 and issuing 50,000 shares upon the second anniversary date of the agreement. The vendors will retain a 2.0% net smelter return royalty (NSR) and Alto has the right to buyback 1.0% of the NSR for \$1,000,000. This transaction is subject to TSX Venture Exchange approval. The Cote Archie Lake property consists of 18 claims totaling 2,352 hectares and covers 12 kilometres of prospective ground east of, and along strike from, the productive vein system developed in the Leitch mine.

**5. RELATED PARTY TRANSACTIONS**

The amounts due or by related parties are non-interest bearing, unsecured, with no fixed terms of repayment.

**6. CAPITAL STOCK**

	<b>Number of Shares</b>	<b>Amount</b>
Balance June 30, 2002	2,633,287	\$ 5,379,278
Issued pursuant to stock options exercised	93,142	9,314
Issued pursuant to private placements	2,923,332	203,750
Issued pursuant to property acquisition	800,000	80,000
Issued pursuant to debt settlement	699,260	79,175
Balance June 30, 2003	7,149,021	5,751,517
Issued pursuant to stock options exercised	49,997	5,000
Issued pursuant to debt settlement	755,780	75,578
Balance June 30, 2004	7,954,798	5,832,095
Issued pursuant to private placements	8,000,000	800,000
Issued pursuant to debt settlement	365,675	36,567
Balance September 30, 2004	<u>16,320,473</u>	<u>\$ 6,668,662</u>

**7. SEGMENT INFORMATION**

**ALTO VENTURES LTD.**, a development stage company  
NOTES TO THE FINANCIAL STATEMENTS  
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The Company currently conducts substantially all of its operations in Canada in one business segment.

**ALTO VENTURES LTD** a development stage company  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Description of Business**

The Company is a junior mining company whose primary focus is on exploration, development and acquisitions in Manitoba, Ontario and Quebec. The Company announced on April 21, 2004 that it had entered into a series of transactions that it believes should substantially advance the Company's ambition to become a significant explorer for gold in Canada. Through these transactions, the Company has or will acquire four gold properties in Manitoba, Ontario and Quebec to add to its Coldstream project in northwestern Ontario. In connection with these transactions, Alto undertook an initial financing of \$800,000 which closed on September 15, 2004, acquired an experienced and recognized management team with an impressive track record in the mineral exploration business and enhanced the position of its major shareholder, a UK- based company with important relationships to the European financial community.

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The Company issued 356,675 common shares having a deemed price of \$0.10 per share to settle a debt owing by it to Hidefield for advances to and on behalf of the Company as disclosed in the annual report.

## Additional Disclosure for Venture Issuers Without Significant Revenue

The capitalized exploration and development costs are presented in the notes to the financial statements.

General and administration expenses are presented in detail in the Statements of Loss and Deficit.

There were no material costs incurred during the period.

### Disclosure of Outstanding Share Data

The following table details the share capital structure as at November 26, 2004, the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future financial statements.

	Expiry date	Exercise price	Number	Number
Common shares				16,349,044
Share purchase options	August 30, 2007	\$ 0.10	131,000	
	September 15, 2005	\$ 0.15	200,000	
	September 15, 2009	\$ 0.15	<u>1,300,000</u>	1,631,000
Warrants	September 16, 2005	\$ 0.20		<u>8,000,000</u>
Fully diluted as at November 26, 2004				<b>25,980,044</b>
Shares issuable upon completion of the Hidefield asset acquisition (see Hidefield Asset Acquisition paragraph above)				<u>14,700,000</u>
Fully diluted after Hidefield acquisition				<u><u>40,680,044</u></u>

### Outlook

The Company, through its acquisition of new gold projects pending initial financing and emplacement of a new management team, anticipates an active year of exploration on its properties. Drill programs for both the Oxford Lake and the Despinassy projects are planned from the upcoming winter drill season. The Company will be seeking further funding for these programs through a combination of flow-through and non-flow-through share financing.