SmytheRatcliffe
CHARTERED ACCOUNTANTS

SOLOMON RESOURCES LIMITED

Consolidated Financial Statements
July 31, 2004, 2003 and 2002

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS OF SOLOMON RESOURCES LIMITED

We have audited the consolidated balance sheets of Solomon Resources Limited as at July 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for each of the three years ended July 31, 2004, 2003 and 2002. 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 auditing standards generally accepted in Canada and with those of the Public Company Accounting Oversight Board (United States of America). 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 July 31, 2004 and 2003 and the results of its operations and its cash flows for each of the three years ended July 31, 2004, 2003 and 2002 in accordance with Canadian generally accepted accounting principles. Accounting principles generally accepted in Canada differ in certain significant respects from accounting principles generally accepted in the United States of America and are discussed in note 11 to the consolidated financial statements.

"SMYTHE RATCLIFFE"

Chartered Accountants

Vancouver, British Columbia
November 18, 2004

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors requires the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by significant uncertainties such as that referred to in the attached balance sheets as at July 31, 2004 and 2003 and as described in note 1 to the consolidated financial statements. Our report to the shareholders dated November 18, 2004 is expressed in accordance with Canadian reporting standards which do not permit a reference to such an uncertainty in the auditors' report when the uncertainty is adequately disclosed in the financial statements.

"SMYTHE RATCLIFFE"

Chartered Accountants

Vancouver, British Columbia
November 18, 2004

SOLOMON RESOURCES LIMITED
Consolidated Balance Sheets
(Expressed in Canadian Dollars)
July 31

	2004	2003
Assets		
Current		
Cash (note 8 (b))	$313,975	$555,770
Accounts receivable	63,255	23,049
Prepaid expenses	11,000	6,000
	388,230	584,819
Property and Equipment	1	1
Investments (note 6)	88,867	248,405
Tenement Bond (notes 5 and 7)	1,359,825	902,781
Investment in and Expenditures on Resource Properties (notes 4 and 7)	2,849,434	2,307,597
	$4,686,357	$4,043,603
Liabilities		
Current		
Accounts payable and accrued liabilities	$111,475	$83,125
Provision for Rehabilitation of Tenements (notes 5 and 7)	954,548	935,334
	1,066,023	1,018,459
Shareholders' Equity		
Capital Stock (note 8)	20,191,349	19,851,012
Deficit	(16,571,015)	(16,825,868)
	3,620,334	3,025,144
	$4,686,357	$4,043,603

Approved on behalf of the Board:

"Lawrence J. Nagy"
.... Director
Lawrence J. Nagy

"Ronald K. Netolitzky"
.... Director
Ronald K. Netolitzky

See notes to consolidated financial statements.

SOLOMON RESOURCES LIMITED
Consolidated Statements of Operations and Deficit
(Expressed in Canadian Dollars)
July 31

	2004	**2003**	**2002**
Revenues			
Interest	$72,111	$43,446	$46,822
Oil and gas, net	14,847	12,268	14,237
	86,958	55,7	61,059
Expenses			
Office and miscellaneous	108,229	116,276	106,752
Management fees	108,000	117,000	106,499
Professional fees	142,988	88,273	92,909
Rent and administrative services	32,500	31,000	24,000
Travel, promotion and shareholders' information	50,237	48,770	16,048
Stock exchange fees	10,683	12,344	8,005
Transfer agent fees	6,672	6,085	4,220
Wages and benefits	0	0	31,719
	459,309	419,748	390,152
Loss from Operations	(372,351)	(364,034)	(329,093)
Other Items			
Gain on sale of investments	850,737	710,768	23,904
Other income	6,092	5,921	10,872
Foreign exchange loss	(48,331)	(3,745)	(28,382)
Write-off of investment in and expenditures on resource properties	(181,294)	(734,103)	0
Gain on sale of resource properties	0	118,487	69,353
Tenement rehabilitation recovery	0	0	29,804
Write-down of investments	0	0	(19,700)
	627,204	97,328	85,851
Net Income (Loss) for Year	254,853	(266,706)	(243,242)
Deficit, Beginning of Year	(16,825,868)	(16,559,162)	(16,315,920)
Deficit, End of Year	$(16,571,015)	$(16,825,868)	$(16,559,162)
Income (Loss) Per Share	$0.01	$(0.01)	$(0.01)
Diluted Income (Loss) Per Share	$0.01	$(0.01)	$(0.01)
Weighted Average Number of Shares Outstanding	30,987,669	29,148,327	28,684,280

See notes to consolidated financial statements.

SOLOMON RESOURCES LIMITED
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Years Ended July 31

	2004	2003	2002
Operating Activities			
Net income (loss)	$254,853	$(266,706)	$(243,242)
Items not involving cash			
Write-down of investments	0	0	19,700
Write-off of investment in and expenditures on resource properties	181,294	734,103	0
Gain on sale of investments	(850,737)	(710,768)	(23,904)
Gain on sale of resource properties	0	(118,487)	(69,353)
Operating Cash Outflow	(414,590)	(361,858)	(316,799)
Changes in Non-Cash Working Capital			
Accounts payable and accrued liabilities	28,350	(55,870)	105,878
Prepaid expenses	(5,000)	0	0
Accounts receivable	(40,206)	55,926	(62,380)
	(16,856)	40,827	35,280
Cash Used In Operating Activities	(431,446)	(321,031)	(281,519)
Financing Activities			
Proceeds from common shares issued, net	285,837	100,000	0
Investing Activities			
Proceeds on sale of properties	0	39,138	689,949
Acquisition of investment	0	(30,000)	0
Proceeds on sale of investments	1,010,275	890,041	32,304
Expenditures on resource properties	(668,631)	(715,980)	(204,555)
Tenement Bond	(437,830)	40,771	(8,218)
Cash Provided by Investing Activities	(96,186),	183,199	517,698
Inflow (Outflow) of Cash and Cash Equivalents	(241,795)	(37,832)	236,179
Cash and Cash Equivalents, Beginning of Year	555,770	593,602	357,423
Cash and Cash Equivalents, End of Year	$313,975	$555,770	$593,602
Supplemental Information			
Income tax paid	$0	$0	$0
Interest paid	$0	$0	$0
Investment received on sale of properties	$0	$79,350	$0
Shares issued for finders' fee	$0	$3,000	$0
Shares issued for property	$54,500	$13,518	$0

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the Laws of British Columbia. Its principal business activity is the exploration for and development of natural resource properties either directly or indirectly through its investments.

The Company's financial statements have been presented on the basis that it will continue as a going-concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company reported net income (losses) of $254,853, $(266,706), and $(243,242) for the years ended July 31, 2004, 2003, and 2002, respectively, and has an accumulated deficit of approximately $16.6 million as at July 31, 2004. These recurring losses and the need for continued funding, discussed below, raise substantial doubt about the Company's ability to continue as a going-concern.

The Company's ability to continue as a going concern is dependent upon additional financings being obtained in order to complete the exploration and development of the Company's properties, and realize on its assets and discharged its liabilities in the normal course of business.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These consolidated financial statements include the accounts of Solomon Resources Limited and its wholly-owned subsidiaries, Valhalla Minerals U.S. Incorporated (a Delaware corporation), Thor Gold Alaska Inc. (an Alaskan corporation) Solomon (Australia) Pty. Ltd. ("Australia Pty") (an Australian corporation) and Solomon (Chile) SCM ("Solomon Chile") (a Chilean Corporation). All significant inter-company balances and transactions are eliminated.

(b) Investments

The Company's investments in securities with quoted market values are accounted for on the cost basis. When there is a permanent impairment in the value of these investments, their carrying values are written-down to quoted market values.

(c) Deferred expenditures

The Company is in the exploration stage with respect to its investment in resource properties, and accordingly, follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of resource properties, net of all incidental revenues received. At such time as production commences, these costs will be charged to operations on a unit-of-production method based on estimated recoverable reserves. When there is little prospect of further work on a property being carried out by the Company, the costs of that property are charged to operations.

(d) Oil and gas properties

Substantially all oil and gas exploration and production activities are conducted through joint ventures, and accordingly, these financial statements reflect only the Company's proportionate share of assets, liabilities, revenues and expenses of the joint ventures.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Income taxes

Income taxes are calculated using the asset and liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. A valuation allowance is provided to reduce the asset to the net amount management estimates to be reasonable to carry as a future income tax asset.

(f) Foreign currency translation

Foreign currency balances, including those of foreign subsidiaries, are expressed in Canadian dollars on the following basis:

(i) Monetary assets and liabilities at the rate of exchange in effect as at the balance sheet date;

(ii) Property and equipment at the historical exchange rates; and,

(iii) Revenues and expenses at the average rate of exchange for the year.

Gains and losses arising from this translation of foreign currency are included in net income (loss) for the year.

(g) Income (Loss) per share

Income (loss) per share computations are based on the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate.

(h) Flow-through common shares

The Company finances a portion of its resource properties' acquisition, exploration and development costs by the issuance of flow-through common shares. Income tax deductions relating to these expenditures are claimable only by the investors. Proceeds from flow-through share issuances are credited to capital stock.

(i) Stock based compensation

Effective August 1, 2003, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") for *Stock-based Compensation and Other Stock-based Payments*. Under the amended recommendations, the Company accounts for stock options granted to directors, employees and consultants using the fair value method. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Stock-based compensation (Continued)

pricing model charged to earnings over the vesting period with a corresponding increase in contributed surplus. Upon exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus are recorded as an increase to share capital.

The Company previously disclosed the pro forma effects of accounting for stock options granted to directors and employees in the notes to financial statements as if the fair value based method had been used. The amended recommendations have been applied prospectively; accordingly, results from prior years have not been restated.

(k) Reclamation and Closure Costs

Effective August 1, 2004 the Company will adopt, CICA Handbook Section 3110, "*Asset Retirement Obligations" which* requires that the Company's estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset (where one is identifiable) is recorded and depreciated over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability will be subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimate of its ultimate reclamation and closure liabilities could change, for example, as a result of changes in regulations, the extent of environmental remediation required, or the means of estimating reclamation or closure cost estimates. Changes in estimate are accounted for prospectively from the period the estimate is revised and would impact future results of operations and cash flows.

(l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

3. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying values of the Company's financial assets and financial liabilities approximate their fair values except as otherwise disclosed. The fair value of investments based on quoted market values are as disclosed in note 6.

(b) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

3. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk

The Company is not exposed to significant credit risk on its financial assets.

(d) Translation risk

The Company translates the results of foreign operations into Canadian currency using rates approximating the average exchange rate for the year. The exchange rate may vary from time to time. This risk is minimized to the extent the Company maintains certain U.S. funds and Australian funds for foreign capital expansion in U.S. or Australian funds (as at July 31, 2004, the Company had on hand $1,254 U.S. and A$17,984).

4. REALIZATION OF ASSETS

The investment in and expenditures on resource properties comprises a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon establishing legal ownership of the properties, the attainment of successful production from the properties, or from the proceeds of their disposal.

5. TENEMENT BOND

The Company holds a tenement bond to ensure the Company has adequate resources to finance future rehabilitation costs. A provision has been made to reflect estimated costs for rehabilitation of claims.

6. INVESTMENTS

		2004			**2003**	
	Number of Shares	Market Value	Cost	Number of Shares	Market Value	Cost
Quest Capital Corporation	100,000	$147,000	$45,000	181,233	$275,474	$81,555
Skeena Resources Ltd.	626,667	188,000	43,867	626,667	106,533	43,867
NovaGold Resources Inc. (formerly SpectrumGold Inc.)	13,424	87,793	0	18,123	0	0
Viceroy Exploration Ltd.	54,370	58,720	0	54,370	0	0
Almaden Minerals Ltd.	0	0	0	122,077	92,778	79,350
Orezone Resources Ltd.	0	0	0	205,000	123,000	28,090
Canico Resource Corp. (formerly Oliver Gold Gold Corporation)	0	0	0	40,000	290,145	15,543
		$481,513	$88,867		$887,930	$248,405

6. INVESTMENTS (Continued)

During the year ended July 31, 2003, the Company sold 500,000 shares of Viceroy Resource Corporation. The remaining 543,700 shares were consolidated into 181,233 shares of Quest Capital Corporation, 18,123 shares of Spectrum Gold Inc. and 54,370 shares of Viceroy Exploration Ltd.

During the year ended July 31, 2004, SpectrumGold Inc. ("Spectrum") was combined with NovaGold Resources Inc. ("Nova"). As a result, each Spectrum shareholder was entitled to receive one common share of Nova for each 1.35 Spectrum shares held.

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES

	Burkina Faso	Independence	Kalgoorlie Southeast Project	San Ramon	Annie	Red and NOR	Beowaw Project	Metla	Other	Total
	(note 7(a))	(note 7(b))	(notes 7(c) and (d))	(note 7(e))	(note 7(j))	(note 7(f))	(note 7(g))	(note 7(k))	(notes 7(h),(i))	
Balance, July 31, 2001	$1	$1	$2,725,241	$0	$0	$0	$0	$0	$0	$2,725,243
Expenditures During Year										
Field costs and personnel	0	0	0	100,968	0	0	0	0	0	100,968
Property acquisition	0	0	0	61,541	0	42,046	0	0	0	103,587
Dispositions	0	0	(620,596)	0	0	0	0	0	0	(620,596)
	1	1	2,104,645	162,509	0	42,046	0	0	0	2,309,202
Write-off of Expenditures	0	0	0	0	0	0	0	0	0	0
Balance, July 31, 2002	$1	$1	$2,104,645	$162,509	$0	$42,046	$0	$0	$0	$2,309,202
Expenditures During Year										
Field costs and personnel	20,000	27,208	31,898	239,664	0	27,810	0	0	0	346,580
Property acquisition	0	0	0	224,866	29,414	0	113,000	0	38,638	405,918
Option payments	(20,000)	0	0	0	0	0	0	0	0	(20,000)
	1	27,209	2,136,543	627,039	29,414	69,856	113,000	0	38,638	3,041,700
Write-off of Expenditures	0	(27,208)	0	(627,039)	0	(69,856)	0	0	(10,000)	(734,103)
Balance, July 31, 2003	$1	$1	$2,136,543	$0	$29,414	$0	$113,000	$0	$28,638	$2,307,597
Expenditures During Year										
Field costs and personnel	0	0	166,347	5,995	254,222	0	0	107,923	42,518	577,005
Property acquisition	0	0	0	0	9,472	0	18,268	94,362	24,025	146,127
Option payments	0	0	0	0	0	0	0	0	0	0
	0	0	2,302,890	5,995	293,108	0	131,268	202,285	95,181	3,030,729
Write-off of Expenditures	0	0	0	(5,995)	0	0	(131,268)	0	(44,032)	(181,295)
Balance, July 31, 2004	$1	$1	$2,302,890	$0	$293,108	$0	$0	$202,285	$51,149	$2,849,434

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(a) Burkina Faso - West Africa

The Company has a 45% interest in the Bombore Property in Burkina Faso.

During the year ended July 31, 2001, the Company decided not to participate in expenditures on this property further, and accordingly wrote down the property's carrying value to $1.

During the year ended July 31, 2002, the Company and Channel Resources Limited ("Channel") granted Orezone Resources Inc. ("Orezone") an exclusive 60-day option to acquire an interest in the Bombore Permit in Burkina Faso and to acquire Channel Mining (Barbados) Company Ltd. ("Channel Barbados").

According to the agreement, Orezone made a cash payment of US $10,000 to Channel and completed its due diligence on the property.

During the year ended July 31, 2003, Orezone exercised this option and delivered a Heads of Agreement ("HOA") to Channel and the Company.

According to the HOA, Orezone will earn a 50% interest in the claims by:

(i) Expending a minimum of CDN $300,000 on an exploration program within one year of the date of the HOA with the objective of identifying additional resources that can be incorporated into a Feasibility Study (done); and

(ii) Expending an additional CDN $1,700,000 on the exploration program.

After having earned the 50% interest, or in conjunction with earning the 50% interest, Orezone may earn an additional 20% beneficial interest (collectively the "Earned Interest") by completing a Bankable Feasibility Study.

Orezone has the first right of refusal to purchase the Bombore interests of the Company and Channel and upon earning the Earned Interest, Channel and the Company shall have a first right of refusal to purchase the Earned Interest from Orezone.

On submittal to Channel of the Bankable Feasibility Study, Orezone shall buy out the remaining interest of Channel and the Company on the following terms:

(i) Orezone will make a payment to Channel of US $550,000 within 90 days of submission of the Bankable Feasibility Study to Channel;

(ii) Orezone will make a payment to the Company of US $450,000 within 90 days of submission of the Bankable Feasibility Study to the Company; and

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(a) Burkina Faso – West Africa (Continued)

(iii) Orezone will grant to the Company and Channel a total 1% Net Smelter Return ("NSR") on ounces produced to be divided pro-rata between the Company and Channel.

In the event that the Bankable Feasibility Study has not been accepted by a financial institution, or it does not recommend development of a mining project at that time, or the internal rate of return is not acceptable to Orezone, Orezone has the right to proceed with the buy out from Channel on the terms set out in the previous paragraph or at Orezone's sole discretion it may postpone the buy out.

Subsequent to the year ended July 31, 2004, the Company entered into an Amending Agreement with Orezone and Channel for the Bombore Permit.

The original Bombore Permit expired January 18, 2004 and, prior to that date, Orezone applied for a new permit in the name of its British Virgin Islands subsidiary, Orezone Inc. A new permit, reduced to 250 sq. kilometeres was granted on February 17, 2004 ("Bombore 1 Permit").

The Amending Agreement provides that Orezone holds the newly issued Bombore 1 Permit for the benefit of Channel (55%) and the Company (45%). Orezone may earn an undivided beneficial interest of 50% in the Bombore 1 Permit according to the terms as set out in the original HOA. Channel and the Company continue to divide the payments and the royalty on a pro-rata basis.

(b) Independence Mine - Alaska

At July 31, 1997, the Company, through Thor Gold, ceased all operations on this property and accordingly wrote down the property's carrying value to $1. Since 1997, the Company has been performing reclamation work on the property. The Company holds a residual interest in the property.

During the year ended July 31, 2003, the Enserch mill was sold to Almaden Minerals Ltd. ("Almaden") for 122,077 Almaden common shares (Note 6). Almaden has since dismantled and removed the mill. The Lucky Shot and Coleman properties, the former site of the Enserch mill, were returned to Alaska Hardrock Inc. ("AHI") by the Company. As part of the transfer, the Company agreed to fund AHI a total of US$25,000 to complete all reclamation works on the former site. Final notification of completion of these works is still pending from Alaskan authorities.

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(c) Kalgoorlie Southeast Project (formerly the "Mount Monger Gold Project"), Australia

During the year ended July 31, 2001, the Company, through Australia Pty., entered into an agreement with General Gold Resources, N.L. ("General Gold"), an Australian Stock Exchange listed company, whereby the Company can earn a 100% interest in the Kalgoorlie Southeast Project in Western Australia (the "KSP") on the following terms:

(i) Payment of A $592,000 (done);

(ii) Issuance of 1,000,000 fully paid common shares of the Company (done); and

(iii) Replacement of environmental tenement rehabilitation bonds with the Department of Mines and Energy totaling $1,058,000 ($822,912 Cdn.) (done).

The KSP has been assessed with tenement rehabilitation costs by the Department of Mines and Energy in the amount of the tenement bonds above. The Company does not believe the tenement bonds are fully recoverable, and accordingly, a full provision has been made in the accounts of the Company.

During the year ended July 31, 2001, the Company entered into a joint venture agreement with Goldfields Exploration ("Goldfields") for exploration of the KSP area. In order to participate in the joint venture, Golfields was required to:

(i) Pay an A$200,000 cash option fee (received):

(ii) Expend A$200,000 in exploration costs in the first year (done); and

(iii) Expend a total of A$6,000,000 in four years to earn a 65% equity interest in the joint venture.

The Mount Monger Mill and associated plant was excluded from this agreement, as were the Mount Monger Mill area mining leases and the small Christmas Flats mining leases located nearby.

In December 2001, Goldfields merged with Delta Gold Ltd. to become AurionGold Limited ("AurionGold"). No changes to the status of the KSP Joint Venture agreement occurred as a result of this merger.

During the year ended July 31, 2002, Dominion Gold Operations Pty. Ltd. ("Dominion") paid the Company A$180,000 for the Mount Monger Mill, removed it from the site and rehabilitated the area.

In April 2002, the Christmas Flats leases were sold to Aberdeen Mining Pty Ltd for A$600,000.

In July 2002, the Company entered into an agreement with Wilbro Mine Services ("Wilbro"), whereby Wilbro was granted, upon payment of A$10,000, the right to extract gold from material in and around the CIP plant at Mount Monger. The proceeds from the sale of any gold are to be shared on the basis of 10% to the Company and 90% to Wilbro.

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(c) Kalgoorlie Southeast Project (formerly the "Mount Monger Gold Project"), Australia (Continued)

During the year ended July 31, 2003, AurionGold returned over 80 tenements to the Company. The Randalls Mine centre tenements, including the Maxwells mine area, was retained by AurionGold as part of the KSP.

In January 2003, Placer Dome Asia Pacific Limited ("PDAP") completed acquisition of AurionGold. No changes to the status of the KSP Joint Venture agreement occurred as a result of this merger.

During the year ended July 31, 2004, PDAP relinquished the 100% interest in the KSP back to the Company.

In order to maintain current rights of tenure to the exploration and mining tenements, the Company has the following discretionary exploration expenditure requirements until the expiry of the leases. These obligations, which are subject to renegotiation upon expiry of the leases, are payable as follows:

(i) Not later than one year; A $861,483;

(ii) Later than one year but not later than two years: A $794,733;

(iii) Later than two years but not later than five years: A $2,341,048; and

(iv) Later than five years: A $3,393,562.

The sale, transfer or farm-out of exploration rights to third parties may reduce or extinguish these obligations.

(d) Newcrest Kalgoorlie Southeast Project Joint Venture Project, Australia

During the year ended July 31, 2003, the Company, through Australia Pty, entered into an agreement with Newcrest Mining Limited ("Newcrest") of Australia to continue exploration of a large property portfolio in the Kalgoorlie area of Western Australia. The project, referred to as the Newcrest Kalgoorlie Southeast Project Joint Venture ("Newcrest KSP JV"), consists of 90 tenements totaling 265km^2 returned to the Company by PDAP. The joint venture agreement calls for Newcrest to fund A$2,000,000 to earn a 75% working interest in the project over 4 years. After Newcrest has earned its 75% interest, the Company can elect to either maintain its 25% working interest or be diluted to a 10% carried interest. Upon a positive decision to commence mining, the Company has the additional option to revert to a royalty of 2% of the net smelter return ("NSR").

As part of its responsibilities Newcrest must incur expenditures of not less than A $600,000 within the first twelve months and incur sufficient annual expenditures thereafter to maintain the tenements in good standing. As part of its first year expenditures, Newcrest will reimburse the Company up to A$30,000 for expenses incurred by the Company prior to the commencement date.

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(d) Newcrest Kalgoorlie Southeast Project Joint Venture Project, Australia (Continued)

Under the original Newcrest KSP JV agreement, Newcrest was granted a first right of refusal on an additional 25 tenements totaling 220km^2 that at the time of signing were under joint venture agreement with PDAP as part of the KSP Joint Venture. Newcrest elected to option eight of these tenements. None of the tenements that incorporate the Mount Monger and Randalls mine centers are included in the Newcrest joint venture arrangement.

(e) San Ramon, Chile

During the year ended July 31, 2002, American Canyon Mining Chile Ltda. ("ACM"), a private Chilean corporation, granted the Company an option to acquire at least an undivided 75% interest and up to an undivided 80% interest in the San Ramon Mining Project, Chile.

In order to maintain its rights under the option, the Company must abide by the following terms:

(i) Payment of US $40,000 to conduct a 90 day Due Diligence Review (done);

(ii) Reimburse ACM for expenditures incurred by ACM in respect to the claims to a maximum of US $15,000 (done);

(iii) Spend US $500,000 on geological work on the claims and on the acquisition of the remaining claims within the following 12 months ("Year 1");

(iv) Payment to ACM of US $100,000 on August 30, 2002 provided that ACM has entered into the Formal Agreement by that date (done);

(v) Allot and issue to ACM 100,000 fully paid and non-assessable common shares and spend an additional US $1,000,000 on completion of Year 1; and

(vi) Lend to ACM US $100,000 on August 30, 2003 to increase its option to earn an interest in the claims from 75% to 80%; and

If the Company does not complete (vi), it will continue to have the right to earn an undivided 75% interest in the claims by completing the expenditures described in (vii) below. If the Company elects to make such a loan, ACM will have the right for 180 days from the date of advance to reduce the additional undivided 5% option interest in increments of 1% by paying to the Company US $20,000 per 1% interest, plus interest per annum at a rate equal to LIBOR plus 2% calculated from the date of advance. To the extent ACM fails to make such repayments, the Company's option will be increased up to 80%; and

(vii) Allot and issue to ACM an additional 200,000 fully paid and non-assessable common shares and incur a total of US $6,000,000 in expenditures (including those mentioned above) following the completion of Year 2 to earn the option.

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(e) San Ramon, Chile (Continued)

During the year ended July 31, 2003, the following amendments were made to the agreement:

(i) The US $100,000 payment originally due on August 30, 2002 was modified to a loan to ACM and was advanced during the year ended July 31, 2003. The interest the Company acquired in the project remained at the originally agreed upon 75%;

(ii) The US $100,000 loan to ACM originally due on August 30, 2003 is now due on June 30, 2003. As of July 31, 2004, advance on account of this debt has occurred; and

(iii) The original US$15,000 maximum reimbursement to ACM for expenditures was amended to monthly payments of US$7,500 beginning May 2002. Five payments totalling US $37,500 were paid during the year ended July 31, 2003.

The Company exercised its option to acquire a 75% interest in San Ramon after reviewing positive results from the 90-day due diligence review study and the Company announced that it intended to raise CDN $100,000 by private placements through the issuance of 666,667 shares at $0.15 per share. The monies were to be used for exploration on the property and working capital purposes.

During the year ended July 31, 2003, the Company terminated its agreement with ACM to acquire an interest in the San Ramon Mining Project, Chile. The property was written off during the 2003 fiscal year. The USD$100,000 debt, as part of the cost of the San Ramon exploration program, has been written down to a nominal amount. However, negotiations to recover this debt are ongoing.The Company retains the right to acquire a 5% interest in all San Ramon properties held by ACM if the recovery of this debt fails.

(f) Red and NOR, British Columbia

During the year ended July 31, 2002, the Company entered into a Joint Venture Agreement with Brett Resources Inc ("Brett"). for the purposes of exploring the Red and NOR Properties in north-central B.C.

According to the agreement, the Company was eligible to earn a 60% interest in either or both properties by meeting the obligations in the agreement and by paying Brett $100,000 over a 5½ year time frame. At July 31, 2002, $25,000 had been paid.

The obligation called for a $25,000 work program (done) and a $10,000 payment on or before October 31, 2002. To acquire the 50% interest, the Company, at its option, would meet the terms of the agreement by making total payments of $250,000, issuing 150,000 common shares and expending a cumulative total of $1,775,000 on exploring the properties over a five and a half year period. The properties were subject to an underlying 2.5% NSR at production; half of this royalty may be bought out at any time for $1,500,000.

During the year ended July 31, 2003, the Company relinquished both properties back to the original owner and the carrying value was written-off.

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(g) Beowawe Project, Nevada

The Company entered into a letter of intent on March 23, 2003, subject to regulatory approval, to acquire up to 100% of the Beowawe project in Nevada. The Company agreed to fund up to $125,000 in expenditures for the vendor to research and acquire claims in the subject area, and for the vendor to complete a suitable technical report of geology, geophysics and geochemistry. The vendor was eligible to charge a fee above expenses and other third party costs of $5,000 per month for his services. Within 15 days of delivery of the technical report and land package, the Company could elect either to purchase a 100% interest or become a minority equity holder in the project.

If the Company elects to purchase the project, the Company would be required to issue 1,800,000 common shares and complete expenditures in excess of $400,000 within the first year to earn a 25% interest in the property, subject to a 1% net smelter return. The Company was required to issue an additional 1,000,000 common shares to the vendor on the second anniversary to earn the full 100% interest in the property.

On January 24, 2004, the Company elected not to purchase the property and wrote off the property. Under the terms of the letter of intent, the Company retains no interest in the property, but is eligible to recover a maximum of three times its investment approximately ($375,000) out of 30% of any payments received for the property by the vendor from a third party.

(h) Bouleau Project, British Columbia

During the year ended July 31, 2003, the Company signed an option agreement to acquire a 100% interest in the Bouleau Lake Property. The Bouleau Lake Property is located southwest of Vernon, British Columbia.

The Company can earn a 100% interest in the Bouleau Lake Property, subject to Exchange approval, by fulfilling the following option terms;

(i) $5,000 cash and 25,000 common shares on signing (done);

(ii) $10,000 cash and 50,000 common shares on or before the first anniversary (done);

(iii) $20,000 cash and 100,000 common shares on or before the second anniversary; and

(iv) $40,000 cash and 200,000 common shares on or before the third anniversary.

The vendor will retain a 2% NSR, which the Company can purchase for $1,000,000 within 120 days of commercial production being attained.

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(i) Maui Claims, Yukon

During the year ended July 31, 2003, the Company entered into an agreement to acquire a 50% interest in the Maui 1-96 mineral claims located in Watson Lake Mining District, Yukon, for a cash payment of $10,000. The Company had the option of earning an additional 40% (90% total) interest by committing to expend $30,000 on an exploration program on the mineral claims and:

(i) Paying $10,000 cash and issuing 50,000 common shares 12 months after the date of agreement;

(ii) Paying $10,000 cash and issuing 50,000 common shares 24 months after the date of agreement;

(iii) Paying $10,000 cash and issuing 50,000 common shares 36 months after the date of agreement; and

(iv) Expending a total of $50,000 on exploration over three years.

The original owner may, at his option, could sell his remaining 10% interest to the Company for $1,000,000 or elect to retain his 10% working interest and contribute proportionately to all future exploration and development costs.

This project was written off in 2004.

(j) Annie Property, Chile

During the year ended July 31, 2003, the Company acquired the Annie Property approximately 30 km south of Copiapo in Region III of northern Chile. The Annie Property is comprised of 11 claims totaling 2,055 ha. The ten Annie claims were acquired by staking and are owned 100% by the Company through its 100% owned subsidiary, Solomon (Chile) SCM. The Company has also purchased 100% of the 50 ha Santa Candelaria II 1/5 claim for cash payment of US$2,000 and issuance of 38,250 common shares.

During the year ended July 31, 2004, the Company, through Solomon Chile, acquired by option a 100% interest in the thirteen Barros Luco and Rey Salomon exploration claims.

The Barros Luco and Rey Salomon claims have been grouped as a single property for the purposes of the option agreement signed June 15, 2004 in Santiago, whereby the Company agrees to pay the owners US$2,000,000 over four years by fulfilling the following terms:

(i) $5,000 on signing;

(ii) $10,000 on six months after signing;

(iii) $35,000 on or before the first anniversary;

(iv) $100,000 on or before the second anniversary;

(v) $250,000 on or before the third anniversary; and

(vi) $1,600,000 on or before the forth anniversary.

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(j) Annie Property, Chile (Continued)

The Company agrees to maintain all claims in good standing as required under Chilean Mining law, including payment of all taxes owing, the latter being deductible from the first two option payments (done). The owners maintain a 2% NSR, which the Company may purchase at any time for $1,000,000.

The Company's immediate plans are to complete the legal survey of the Barros Luco and Rey Salomon claims as required under Chilean Mining law to convert the claims to exploitation claims.

The Barros Luco and Rey Salomon claims are contiguous with the Company's ten, 100% owned Annie claims, bringing its holdings in the area to 24 claims totaling roughly 5,475ha.

(k) Metla Project, British Columbia

During the year ended July 31, 2004, the Company acquired five properties in the Atlin Mining District of British Columbia comprising what is generally referred to as the Metla Project. The properties include the following:

- Tatsa Property (11 claims totaling 5,200 ha)
- Metla Property (10 claims totaling 5,000 ha)
- Checkmate Property (4 claims totaling 2,000 ha)
- La Veta Property (2 claims totaling 900 ha)
- BWM Property (1 claim totaling 400 ha)

Each of the above properties were acquired separately by option, letter of intent ("LOI") or staking as described individually below.

The Tatsa Property was acquired by staking and is held 100% by the Company. To maintain the entire claim holding, the Company is required to meet annual work assessment commitments of $20,800 until 2008, and $41,600 thereafter.

During the year ended July 31, 2004, the Company was granted by option agreement the right to earn a 100% interest in the Metla #1 and #2 claims by meeting the following terms:

(i) Upon signing of a formal agreement, paying $20,000 and issue 100,000 shares of the Company to the vendors (done);

(ii) Spending a minimum of $250,000 on exploration in year one;

(iii) In year two, pay $30,000 and issue 200,000 shares of the Company to the vendors and spend a minimum of $350,000 on exploration; and

(iv) In year three, pay $50,000 and issue 300,000 shares of the Company and spend a minimum of $500,000 on exploration.

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(k) Metla Project, British Columbia (Continued)

Upon the Company earning its 100% interest in the Property, the vendors will retain a 2% NSR interest in the Property, of which the Company may purchase 1% for $1,000,000.

The Company enlarged the Metla property by staking an additional 8 claims that, under the terms of an agreed 5 km area of influence now form part of the Metla property and are subsequently subject to the above terms.

The Checkmate property was acquired by the Company through a LOI granting the Company until March 1, 2005 to formalize an option with the vendor. The terms of the LOI require the Company, prior to March 1, 2005, to:

(i) Cover all costs for staking the additional 3 claims, which become subject to the LOI (done);

(ii) Expend a minimum $20,000 in work assessment value during the 2004 field season; and

(iii) Provide reports and record a minimum of 2 years assessment credits.

To earn a 100% interest in the Checkmate property, the Company must:

(i) On signing a formal agreement on or before March 1, 2005, pay $20,000, issue 100,000 common shares of the Company to the vendor and expend $250,000 on exploration in year 1;

(ii) On or before March 1, 2006, pay $30,000, issue 200,000 common shares of the Company to the vendor and expend $350,000 on exploration in year 2; and

(iii) On or before March 1, 2007, pay $50,000, issue 300,000 common shares of the Company to the vendor and expend $500,000 on exploration in year 3.

Upon the Company earning its 100% interest in the Checkmate property, the vendor will retain a 2% NSR interest of which the Company may purchase 1% for $1 million.

The right to option the La Veta and BWM properties was granted to the Company under separate, but similar LOI's. The terms of the LOI's require the Company, prior to March 1, 2005, to:

(i) Cover all costs for staking all claims, which all become subject to the respective LOI's (done);

(ii) Guarantee a minimum of one year assessment work on the La Veta #3 & #4 mineral claims (minimum $3,600) and a minimum of two years assessment work on the BWM mineral claim (minimum $3,200), plus the timely filing of two assessment reports for each property; and

(iii) Two copies of all 2004 work and data assessment reports for each of the La Veta and BWM properties on or before March 1, 2005.

7. INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(k) Metla Project, British Columbia (Continued)

To earn a 100% interest in either of the La Veta and BWM properties, the Company will:

(i) On signing of a formal agreement on or before March 1, 2005, pay $10,000 and issue 50,000 shares of the Company to the vendor, and spending a minimum of $125,000 on exploration on the property in year one;

(ii) On or before March 1, 2006, pay $15,000 and issue 100,000 shares of the Company to the vendor, and spend a minimum of $150,000 on exploration of the property in year two; and

(iii) On or before March 1, 2007, pay $25,000 and issue 150,000 shares of the Company to the vendor, and spend a minimum of $250,000 on exploration of the property in year three.

Upon the Company earning its 100% interest in the La Veta and BWM properties, the vendor will retain a 2% NSR interest in the Property, of which the Company may purchase 1% for $1,000,000.

(l) Glandore Joint Venture, Western Australia

During the year ended July 31, 2004, the Company entered into a Joint Venture agreement with Harmony Gold Pty. Ltd. (“Harmony”) of Australia, through Harmony’s wholly owned subsidiary South Kal Mines Pty. Ltd., for the Company’s Glandore area tenements in the Kalgoorlie area of Western Australia. The Glandore property comprises 2 granted tenements and 3 tenement applications totaling roughly 1,600 ha at the northwest extreme of the Company’s KSP properties.

The terms of the agreement provide Harmony with a three year farm-in period whereby it may earn a 51% interest in the property by spending A$60,000 in year one and earn an 80% interest by spending an additional A$100,000 by end of the third year, at which time a joint venture is formed giving the Company a 20% participating interest. Harmony may withdraw with no equity at any time after expending the initial A$60,000. The Company can elect not to contribute to work programs and be diluted down to a minimum participating interest of 5% after the JV is formed. The Company may withdraw from the project with no interest after being diluted to a 5% interest.

8. CAPITAL STOCK

(a) Authorized
100,000,000 Common shares without par value

(b) Issued

	Number of Shares	Amount	Deficit
Balance, July 31, 2001	28,684,280	$ 19,734,494	$ (16,315,920)
Net loss	0	0	(243,242)
Balance, July 31, 2002	28,684,280	19,734,494	(16,559,162)
Net loss	0	0	(266,706)
Shares issued for:			
Cash, private placement	666,667	100,000	
Finder's fee	20,000	3,000	
Property acquisition	63,250	13,518	
Balance, July 31, 2003	29,434,197	$19,851,012	(16,825,868)
Net income	0	0	254,853
Shares issued for:			
Cash, private placement	1,000,000	200,000	
Share issue costs	0	(13,830)	
Exercise of warrants, cash	333,334	66,667	
Exercise of options, cash	220,000	33,000	
Property acquisition	200,000	54,500	
Balance, July 31, 2004	31,187,531	$ 20,191,349	$ (16,571,015)

During the year ended July 31, 2003, the Company completed a private placement of 666,667 units for proceeds of $100,000. Each unit consisted of one common share and one non-transferable share purchase warrant. Each share purchase warrant is exercisable at $0.20 to December 4, 2003 or $0.30 to December 4, 2004.

During the year ended July 31, 2004 the Company completed a private placement of 1,000,000 flow through units for proceeds of $200,000. Each unit consisted of one flow through common share and one non-transferable flow through share purchase warrant. Each share purchase warrant is exercisable at $0.25 to June25, 2005.

At July 31, 2004 approximately $132,000 of the flow through funds raised, remained to be spent on qualifying Canadian Exploration Expenses.

8. CAPITAL STOCK (Continued)

(c) Stock options

Stock option activity for the years ended July 31 are as follows:

	Number of Shares	Exercise Price	Weighted Average Exercise Price
Outstanding, July 31, 2002	1,570,000	$0.20 to $0.30	$0.21
Granted	1,220,000	$0.15	0.15
Expired	(1,120,000)	$0.20	(0.20)
Outstanding, July 31, 2003	1,670,000	$ 0.15 to $ 0.30	0.18
Exercised	(220,000)	$0.15	(0.15)
Outstanding and exercisable, July 31, 2004	1,450,000	$0.15 to $0.30	$ 0.18

The weighted average life of outstanding stock options at July 31, 2004 is 2.9 years.

As at July 31, the following options were outstanding:

Expiry Date	Exercise Price	Number of Shares **2004**	**2003**
March 30, 2006	$ 0.20	250,000	250,000
June 6, 2007	$ 0.30	200,000	200,000
November 12, 2007	$ 0.15	1,000,000	1,220,000

8. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

In 2003 the Company applied the settlement method in accounting for its stock options granted to directors and employees, and accordingly, no compensation expense was recorded in these financial statements for those options granted. Had compensation expense been determined as provided in the fair value method using the Black-Scholes options pricing model, the pro-forma effect on the Company's net loss and per share amounts for the year ended July 31, 2003 would have been as follows:

	2004	2003
Net income (loss), as reported	$ 254,853	$ (266,706)
Add: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	0	(121,756)
Net income (loss), pro-forma	$ 254,853	$ (388,462)
Net income (loss) per share, as reported	$ 0.01	$ (0.01)
Add: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(0.00)	(0.00)
Net income (loss), pro-forma	$ 0.01	$ (0.01)

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for options granted to non-employees. During the year ended July 31, 2004, no options were granted to non-employees.

The fair value of each option grant is calculated using the following weighted average assumption:

	2004	2003
Expected life (years)	5	5
Interest rate	3.00%	3.00%
Volatility	90.52%	90.52%
Dividend yield	0.00%	0.00%

8. CAPITAL STOCK (Continued)

(d) Earnings per share

	2004	2003	2002
Weighted average number of common shares	30,987,669	29,148,327	28,684,280
Effect of dilutive securities			
Employee stock options	520,938	204,462	0
Warrants	82,557	0	0
Dilutive potential common shares	603,495	204,462	0
Denominator for diluted earnings per share	31,591,164	29,352,789	28,684,280

(e) Share purchase warrants

As at July 31, the following warrants were outstanding;

Expiry Date	Price	2004	2003
December 4, 2003 and December 4, 2004	$ 0.20/$ 0.30	333,333	666,667
June 25, 2005	$0.25	1,000,000	0
June 25, 2005	$0.30	19,500	0

During the year ended July 31, 2004, 200,000 warrants were exercised for gross proceeds of $40,000.

9. INCOME TAX LOSSES

Expiry Date	2004	2003	2002
Future income tax assets at approximate tax rates			
Canadian non-capital losses at 37% (2003 – 38%) (2002 – 39%)	526,000	$666,000	$659,000
U.S. losses at 35% (2003 – 35%) (2002 – 35%)	1,240,000	1,240,000	1,259,000
Australian losses at 30% (2003 – 30%) (2002 – 30%)	447,000	446,000	442,000
Canadian resource pool deductions at 36% (2003 – 36%) (2002 – 39%)	1,500,000	1,348,000	1,270,000
	3,713,00	3,700,000	3,630,000
Valuation allowance	(3,713,000)	(3,700,000)	(3,630,000)
	$0	$0	$0

The Company's losses for Canadian tax purposes are approximately $1,420,000 (2003 - $1,897,000), (2002- $1,690,000) which may be carried forward to apply against future income for Canadian tax purposes, expiry beginning 2005.

The Company's losses for U.S. tax purposes are approximately U.S. $3,543,000 (2003 - U.S. $3,544,000), (2002- U.S. $3,599,000) which may be carried forward to apply against future income for

U.S. tax purposes, expiring between 2006 and 2015.

The Company's losses for Australian tax purposes are approximately A $ 1,693,000 (2003- A $1,677,000, 2002- A $1,663,000) which may be carried forward to apply against future income for Australian tax purposes.

The Company also has resource tax pool deductions of approximately $4,626,000 (2003- $4,074,000, 2002 $3,562,000) which may be carried forward indefinitely to apply against future income for Canadian tax purposes.

The future benefit of these loss carry-forwards and the resource deductions have not been recorded in these consolidated financial statements as the Company estimates that these losses will not likely be realized.

10. RELATED PARTY TRANSACTIONS

During the year, the Company paid:

(a) office rent, travel, promotion and administrative fees of $32,500 (2003 - $31,000, 2002 - $28,497) to a company with common officers and a director, and

(b) consulting and management fees of $135,250 (2003 - $141,000, 2002 - $175,354) to officers and directors.

During the year ended July 31, 2002, the Company sold a portion of its Australian leases to a company with a common director. The sale was completed at fair market value and resulted in a gain of $62,059.

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

(a) Differences in accounting policies

(i) Exploration expenditures

Under Canadian GAAP acquisition costs and exploration expenditures are capitalized (note 2(c)).

Under US GAAP, exploration costs incurred in locating areas of potential mineralization are expensed as incurred. Commercial feasibility is established in compliance with Industry Guide 7 which consists of identifying that part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination. After an area of interest has been assessed as commercially feasible, expenditures specific to the area of interest for further development are capitalized. In deciding when an area of interest is likely to be commercially feasible, management may consider, among other factors, the results of prefeasibility studies, detailed analysis of drilling results, the supply and cost of required labour and equipment, and whether necessary mining and environmental permits can be obtained.

Under US GAAP, mining projects and properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If estimated future cash flows expected to result from the use of the mining project or property are less than carrying value, an impairment is recognized based upon the estimated fair value of the mining project or property. Fair value generally is based on the present value of estimated future net cash flows for each mining project or property, calculated using estimated mineable reserves and mineral resources based on engineering reports, projected rates of production over the estimated mine life, recovery rates, capital requirements, remediation costs and future prices considering the company's hedging and marketing plans.

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

(a) Differences in accounting policies (Continued)

(ii) Available-for-sale securities

Under US GAAP, equity securities are classified as either trading securities or available-for-sale securities. Trading securities are accounted for at cost adjusted using the fair value method, under which the carrying amount is adjusted at financial statement dates for subsequent changes in fair value, and realized and unrealized gains and losses are included in the determination of net income. Available-for-sale securities are accounted for in the same manner as trading securities except that unrealized gains and losses are excluded from net income and included in other comprehensive income.

(iii) Other comprehensive income (loss)

Under US GAAP unrealized gains and losses arising from changes in value of available for sale securities are included in the balance sheet as part of other comprehensive income. For US GAAP purposes the Company has other comprehensive income (loss) arising from available for sale securities. Accordingly, other comprehensive income is shown as a separate component of stockholders' equity for US GAAP purposes.

(b) Reconciliation of total assets, liabilities and shareholder's equity:

	2004	2003
Total assets per Canadian GAAP	$ 4,686,357	$4,043,603
Investments adjusted to fair value under US GAAP	392,646	639,525
Expenditures on resource properties expensed under US GAAP	(2,849,434)	(2,307,597)
Total assets per US GAAP	$2,229,569	$ 2,375,531
Total liabilities per Canadian GAAP	$ 1,066,023	$ 1,018,459
Adjustments to US GAAP	0	0
Total liabilities per US GAAP	1,066,023	1,018,459
Total equity per Canadian GAAP	3,620,334	3,025,144
Other comprehensive income adjustment to fair value of available for sale securities	392,646	639,525
Expenditures on resource properties expensed under US GAAP	(2,849,434)	(2,307,597)
Total equity per US GAAP	1,163,546	1,357,072
Total equity and liabilities per US GAAP	$2,229,569	$ 2,375,531

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (Continued)

(c) Reconciliation of net income (loss) reported in Canadian GAAP and US GAAP:

Statement of operations for the year ended July 31

	2004	2003	2002
Reconciliation of net loss from Canadian GAAP to US GAAP			
Net income (loss) per Canadian GAAP	$254,853	$(266,706)	$(243,242)
Acquisition of mineral properties and exploration and development costs, net	(541,837)	1,605	416,041
Net loss per US GAAP	(292,984)	(265,101)	172,799
Comprehensive income reclassification adjustment	(469,859)	0	0
Comprehensive income (loss)	222,978	(55,048)	509,035
Comprehensive income (loss) per US GAAP	$(539,865)	$(320,149)	$681,834
Net loss per share in accordance with Canadian GAAP	$ 0.01	$ (0.01)	$ (0.01)
Total differences	(0.02)	0.00	0.02
Net loss per share in accordance with US GAAP	$ (0.01)	$ (0.01)	$ 0.01
Weighted average number of shares outstanding	30,987,669	29,148,327	28,684,280

(d) Stock based compensation

For US GAAP purposes, the Company elected to measure compensation costs using the intrinsic value-based method for employee stock options. For years ended July 31, 2004 and 2003 no difference between Canadian GAAP and US GAAP existed as the grant price and the market value of the Company's stock at the date of grant were the same.

Effective August 1, 2002, the Company adopted the CICA Handbook new recommendation in accounting for its employee stock option plans. As a result, differences between Canadian GAAP and US GAAP have been eliminated.

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (Continued)

(e) Accounting pronouncements

In December 2002, FASB issued SFAS 148, “Accounting for Stock-based Compensation – Transition and Disclosure, an amendment to SFAS 123”, SFAS 148 provided two additional transition methods for entities that adopt the preferable method of accounting for stock-based compensation. Further, the statement requires disclosure of comparable information for all companies regardless of whether, when, or how an entity adopts the preferable, fair value method of accounting. These disclosures are now required for interim periods in addition to the traditional annual disclosure. The amendment to SFAS 123, which provides for additional methods, are effective for the periods beginning after December 15, 2002, although earlier application is permitted. The amendments to the disclosure requirements are required for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. The Company adopted these requirements effective August 1, 2002.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities*, an interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*. Interpretation 46 establishes accounting guidance for consolidation of variable interest entities that function to support the activities of the primary beneficiary. Interpretation 46 applies to any business enterprise both public and private, that has a controlling interest, contractual relationship or other business relationship with a variable interest entity. The Company has no investment in or contractual relationship or other business relationship with a variable interest entity and therefore the adoption did not have any impact on the Company's consolidated financial position, results of operations or cash flows.

On April 30, 2003, the FASB issued Statement No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. Statement 149 is intended to result in more consistent reporting of contracts as either freestanding derivative instruments subject to Statement 133 in its entirety, or as hybrid instruments with debt host contracts and embedded derivative features. In addition, Statement 149 clarifies the definition of a derivative by providing guidance on the meaning of initial net investments related to derivatives. Statement 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of Statement 149 will not have an effect on its consolidated financial position, results of operations or cash flows.

On May 15, 2003, the FASB issued Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. Statement 150 establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. Statement 150 represents a significant change in practice in the accounting for a number of financial instruments, including mandatorily redeemable equity instruments and certain equity derivatives that frequently are used in connection with share repurchase programs. Statement 150 is effective for all financial instruments created or modified after May 31, 2003, and to other instruments as of September 1, 2003. The Company adopted Statement 150 on August 1, 2003 and believes the effect of adopting this statement will not have any impact on its consolidated financial position, results of operations or cash flows.