

SKEENA RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

SKEENA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2005

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Rupert Allan"

Rupert Allan
President and CEO

Vancouver, British Columbia
August 2005

"Robert V. Matthews"

Robert V. Matthews
Chief Financial Officer

SKEENA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)z

	June 30	December 31
	2005	2004
ASSETS		
Current		
Cash	\$ 647,412	\$ 504,360
Receivables	16,622	8,980
Prepaid expenses	<u>54,256</u>	<u>1,536</u>
	718,290	514,876
Long term investments (Note 3)	28,584	61,325
Mineral property interests (Note 4)	2,930,522	2,277,728
Equipment (Note 5)	<u>5,668</u>	<u>1,207</u>
	\$ 3,683,064	\$ 2,855,136
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	<u>\$ 99,497</u>	<u>\$ 265,797</u>
Shareholders' equity		
Capital stock (Note 7)	10,049,302	7,743,083
Commitment to issue shares (Note 7)	-	1,150,000
Contributed surplus (Note 7)	1,069,339	623,210
Deficit	<u>(7,535,074)</u>	<u>(6,926,954)</u>
	<u>3,583,567</u>	<u>2,589,339</u>
	\$ 3,683,064	\$ 2,855,136

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

On behalf of the Board:

"J. Rupert Allan"

J. Rupert Allan

Director

"Ronald K. Netolitzky"

Ronald K. Netolitzky

Director

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

SKEENA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	For the three months ended June 30		For the six months ended June 30	
	2005	2004	2005	2004
ADMINISTRATION EXPENSES				
Amortization	\$ 290	\$ 33	\$ 379	\$ 68
Consulting	28,358	13,397	58,068	32,695
Interest and financing costs	-	-	20,000	-
Investor Relations	6,250	-	6,250	-
Office and miscellaneous	3,704	1,336	6,037	2,904
Professional fees	20,646	31,076	54,948	31,101
Rent and administration	2,844	2,374	5,046	4,527
Shareholder communications	1,147	2,279	5,784	2,279
Stock-based compensation (Note 7)	33,657	-	394,429	-
Telecommunications	722	-	906	-
Transfer agent and listing fees	18,044	8,393	23,870	12,217
Travel	-	-	2,876	2,784
Loss before other items	(115,662)	(58,888)	(578,593)	(88,575)
OTHER ITEMS				
Interest income	1,759	256	3,214	864
Write-down of long term investment	(32,741)	-	(32,741)	-
	(30,982)	256	(29,527)	864
Loss for the period	(146,644)	(59,007)	(608,120)	(88,086)
Deficit, beginning of period	(7,388,430)	(6,733,381)	(6,926,954)	(6,704,302)
Deficit, end of period	\$ (7,535,074)	\$ (6,792,388)	\$ (7,535,074)	\$ (6,792,388)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.00)
Weighted average number of common shares outstanding	28,475.29	27,929,429	28,475.29	24,959,768

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

SKEENA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	For the three months ended June 30		For the six months ended June 30	
	2005	2004	2005	2004
CASH FROM OPERATING ACTIVITIES				
Loss for the year	\$ (146,644)	\$ (59,007)	\$ (608,120)	\$ (88,086)
Items not affecting cash:				
Amortization	290	33	379	68
Write-down of long term investments	32,741	-	32,741	-
Write-down of marketable securities	-	375	-	375
Stock-based compensation	33,657	-	394,429	-
Changes in non-cash working capital items:				
Decrease(increase) in receivables	(4,380)	(2,473)	(7,641)	1,107
Increase in prepaid expenses	(44,977)	-	(52,720)	-
Increase (decrease) in accts payable & accrued liabilities	(54,881)	24,187	(166,301)	23,440
Net cash used in operating activities	<u>(184,194)</u>	<u>(36,885)</u>	<u>(407,233)</u>	<u>(63,096)</u>
CASH FROM FINANCING ACTIVITIES				
Proceeds on issuance of capital stock	633,420	41,400	1,207,919	67,250
Issue of convertible debentures	-	390,000	-	390,000
Net cash provided by financing activities	<u>633,420</u>	<u>431,400</u>	<u>1,207,919</u>	<u>457,250</u>
CASH FROM INVESTING ACTIVITIES				
Expenditures on mineral property interests	(349,959)	(45,366)	(652,794)	(81,843)
Purchase of equipment	(4,288)	-	(4,840)	-
Net cash used in investing activities	<u>(354,247)</u>	<u>(45,366)</u>	<u>(657,634)</u>	<u>(81,843)</u>
Change in cash during the period	94,979	349,149	143,052	312,311
Cash, beginning of period	<u>552,433</u>	<u>319,748</u>	<u>504,360</u>	<u>356,586</u>
Cash, end of period	<u>\$ 647,412</u>	<u>\$ 668,897</u>	<u>\$ 647,412</u>	<u>\$ 668,897</u>
Cash paid for interest during the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes during the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosure with respect to cash flows (Note 9)

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

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company operates primarily in the mining industry. The Company is in the exploration stage with respect to its mineral property interests and has not, as yet, achieved any commercial production.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The recoverability of the amounts shown for mineral property interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development of the properties, the timing of legislative or regulatory developments relating to environmental protection, and upon future profitable operations or proceeds from the disposition thereof.

	June 30 2005	December 31 2004
Working capital	\$ 618,793	\$ 249,079
Deficit	(7,535,074)	(6,926,954)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Significant inter-company transactions and balances have been eliminated on consolidation.

Use of estimates

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

Long-term investments

Long-term investments are carried at cost. If it is determined that the value of the investment is permanently impaired, it is written down to estimated net realizable value.

Mineral property interests

All costs related to the acquisition, exploration and development of mineral property interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related party are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicated that its carrying amount may not be recoverable.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral property interests (cont'd...)

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Costs of maintaining mineral property interests

The Company does not accrue the estimated future costs of maintaining its mineral property interests in good standing.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. This policy was adopted in fiscal 2004, pursuant to CICA Handbook Section 3110, "Asset Retirement Obligations".

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rates:

Computer equipment	30%
Telephone equipment	20%

Stock-based compensation

The Company adopted the CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which recommends the fair value-based methodology for measuring compensation costs. Effective January 1, 2003, the Company adopted the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Foreign currency translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate for the year. Exchange gains and losses arising on translation are included in the statements of operations.

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. To the extent that the future tax liabilities created by the renunciation exceed the future tax assets available, the Company records a reduction in capital stock for the estimated tax benefits transferred to shareholders.

Effective March 19, 2004, the Company adopted EIC 146 "Flow-Through Shares" that dictates the accounting treatment on renunciation of the tax deductibility of the qualifying expenditures that give rise to taxable temporary differences. The change in accounting policy was applied prospectively. When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of income taxes in the statement of operations.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. LONG TERM INVESTMENTS

	June 30 2005	December 31 2004
Diadem Resources Ltd. – 519,703 Common Shares (market value - \$28,584 (2004 pre-conversion costs - \$61,325))	\$ 28,584	\$ 61,325

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2005

3. LONG TERM INVESTMENTS (cont'd...)

The Series B First Preferred Shares of Diadem Explorations Inc. were exchanged for 519,703 common shares of Diadem Resources Ltd., a company listed on the TSX-V. The shares are written down to market.

The initial shares were provided as consideration on the sale of the Company's interest in the Otish Mountain Claims, Quebec (Note 4).

4. MINERAL PROPERTY INTERESTS

	British Columbia Claims	Quebec Claims	Ecuador Claims	Total
Balance, December 31, 2003	<u>367,253</u>	<u>87,607</u>	<u>89,906</u>	<u>544,766</u>
Additions:				
Local office costs	-	-	18,849	18,849
Land acquisition and assessment costs	66,060	-	1,717,768	1,783,828
Legal	-	-	310	310
Travel and accommodation	<u>-</u>	<u>-</u>	<u>17,582</u>	<u>17,582</u>
	<u>66,060</u>	<u>-</u>	<u>1,754,509</u>	<u>1,820,569</u>
	433,313	87,607	1,844,415	2,365,335
Recovery during the year	-	(61,325)	-	(61,325)
Written-off during the year	<u>-</u>	<u>(26,282)</u>	<u>-</u>	<u>(26,282)</u>
Balance, December 31, 2004	\$ 433,313	\$ -	\$ 1,844,415	\$ 2,277,728
Additions:				
Land costs	6,181	-	(18,746)	(12,565)
Analytical service	-	-	5,403	5,403
Field Support	-	-	156,868	156,868
Local office costs	-	-	367,725	367,725
Maps and reports	-	-	2,850	2,850
Geology/geophysics	-	-	117,409	117,409
Legal	-	-	735	735
Travel and accommodation	<u>-</u>	<u>-</u>	<u>14,369</u>	<u>14,369</u>
	<u>6,181</u>	<u>-</u>	<u>646,613</u>	<u>652,794</u>
	439,494	-	2,491,028	2,930,522
Written-off during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2005	<u>\$ 439,494</u>	<u>\$ -</u>	<u>\$ 2,491,028</u>	<u>\$ 2,930,522</u>

4. MINERAL PROPERTY INTERESTS (cont'd...)

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

British Columbia Claims

Ice Claims Project, Elk Valley, British Columbia

The Company entered into an option agreement to earn a 75% interest in the Ice Claims Project located in Elk Valley, British Columbia pursuant to which the Company paid \$50,000 and issued 100,000 common shares at a value of \$8,000. The Company also issued 25,000 common shares at a value of \$2,000 for finder's fees and paid \$30,000 and issued 200,000 common shares at a value of \$40,000 pursuant to extension and amending agreements.

To earn its interest, the Company is required to incur a minimum of \$750,000 in exploration expenditures and make additional staged payments of \$100,000 and 400,000 common shares.

The property is subject to a 2% gross overriding royalty and a 5% carried interest, or an additional 1% gross overriding royalty.

Ronoke and Blackhorn Claims, British Columbia

The Company entered into an option agreement to earn a 100% interest in certain claims in the Clinton and Nelson mining districts of British Columbia pursuant to which the Company paid \$5,000 and issued 150,000 common shares at a value of \$27,000. To earn its interest, the Company must make additional staged payments of \$25,000 and 400,000 common shares.

The claims are subject to a 2% net smelter returns ("NSR") royalty which the Company may purchase for a payment of \$500,000.

During the first quarter, a title dispute arose on certain of the Blackhorn claims between the underlying owner and a third party. Subsequent to these statements the title dispute was resolved in favour of the Company's vendor.

The Ronoke property is under option to Crucible Resources Ltd.

Quebec Claims

Otish Mountain Claims, Quebec

The Company entered into an option agreement to acquire a 70% interest in certain mineral claims located in the Otish Mountain region of Quebec pursuant to which the Company paid \$37,607 and issued 500,000 common shares at a value of \$50,000.

The Company subsequently disposed of the claims in exchange for 61,325 Series B First Preferred Shares of Diadem Exploration Inc. at a value of \$61,325. The remaining costs of \$26,282 were written off to operations in fiscal 2004.

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2005

4. MINERAL PROPERTY INTERESTS (cont'd...)

Ecuador Claims

El Corazon Property, Ecuador

The Company entered into an agreement with Alpha Oil Inc. ("Alpha") to acquire Alpha's option with Compania AgroIndustrial El Corazon S.A. ("AgroIndustrial") to earn a 50% interest in the El Corazon property located in the Province of Imbabura, Ecuador. A private Ecuador company, Alpec Alpha Ecuador S.A. holding the option as its sole asset, was acquired from Alpha in consideration for the reimbursement of certain expenses and 2,500,000 common shares of the Company valued at \$1,150,000. To continue its interest, the Company is required to issue Alpha an additional 2,500,000 common shares of the Company on or before December 11, 2005 and pay \$1,500,000 in cash or common shares, at the election of the Company, on or before December 11, 2008. The Company also paid AgroIndustrial US\$315,000 and is required to make additional staged cash payments of US\$4,150,000 and incur a minimum of US\$5,000,000 in exploration expenditures over a four year period.

5. EQUIPMENT

	June 30, 2005			December 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 5,267	\$ 4,462	\$ 805	\$ 4,715	\$ 4,385	\$ 330
Office furniture	3,373	169	3,204	-	-	-
Telephone equipment	1,889	231	1,658	975	98	877
	\$10,529	\$4,862	\$5,667	\$5,690	\$4,483	\$1,207

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$58,068 (2004 - \$39,855) to companies controlled by directors.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable at June 30, 2005 is \$9,447 (2004 - \$1,605) which is due to directors or companies with common directors.

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
100,000,000 common shares without par value			
Issued			
As at December 31, 2003	24,856,116	7,020,189	559,104
For cash:			
Exercise of warrants	1,500,000	300,000	-
Exercise of options	200,000	45,000	-
For mineral property interests	100,000	22,000	-
Warrant and option conversion	-	72,320	(72,320)
Conversion of debentures	<u>875,000</u>	<u>283,574</u>	<u>136,426</u>
As at December 31, 2004	27,531,116	\$ 7,743,083	\$ 623,210
For mineral property interest as per commitment	2,500,000	\$ 1,150,000	
For cash:			
Exercise of warrants	2,640,000	621,883	(93,882)
Exercise of Options	335,000	106,316	(31,318)
Private placement, net of issue costs	1,592,500	428,020	176,900
Stock based compensation	<u>-</u>	<u>-</u>	<u>394,429</u>
As at June 30, 2005	34,598,616	10,049,302	1,069,339

Private placements

During fiscal 2004, the Company issued convertible debentures with a face value of \$400,000 bearing interest at 10% per annum, maturing in December, 2004. The debentures were convertible at the option of the holder into units at a price determined by a three day market interval once a press release announcing the underground sampling results on the El Corazon gold project in Ecuador was announced. Each unit consisted of one common share and one warrant allowing the holder to acquire one additional common share. The Company paid a finders fee of \$10,000 on the issuance of the convertible debentures. At maturity in December, 2004, the debenture holders elected to convert principal and accrued interest totalling \$420,000 at a price of \$0.48 per unit and consequently, the Company issued 875,000 units. Each unit consisted of one common share and one share purchase warrant to acquire one additional common share at \$0.53 to December 13, 2005 and then at \$0.58 to December 13, 2006. The relative fair value of the warrants of \$136,426 was allocated to contributed surplus.

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

During the quarter ending June 30, 2005 the Company issued 1,592,500 units to raise \$637,000 in first of two tranches to raise a total of \$1,525,000. This financing was subsequently completed in the following quarter. Each unit consists of one common share and one warrant allowing the holder to acquire one additional common share at \$0.75 for a two year period. Commissions in the first tranche totalled \$42,080 in cash payments and 157,800 broker warrants exercisable at \$0.55 for a period of one year. The warrants have an accelerator clause whereby conversion may be forced after the four month hold period has expired should the trading value of the Company's stock be \$1.00 or greater for 10 consecutive trading days.

Commitment to issue shares

During fiscal 2004, the Company entered into an agreement with Alpha related to the El Corazon Property (Note 4). At the closing of the option agreement with AgroIndustrial, the Company was committed to issue Alpha 2,500,000 shares at a value of \$0.46 per share for a total of \$1,150,000. The shares were issued March 31, 2005.

Stock options and warrants

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2003	4,140,000	0.20	2,220,000	0.28
Granted	875,000	0.53	-	-
Exercised	(1,500,000)	0.20	(200,000)	0.23
Expired/cancelled	-	-	-	-
Outstanding, December 31, 2004	3,515,000	\$ 0.28	2,020,000	\$ 0.29
Granted	1,750,300	0.73	1,050,000	0.52
Exercised	(2,640,000)	0.20	(335,000)	0.22
Expired/cancelled	-	-	-	-
Outstanding, June 30, 2005	2,625,300	0.66	2,735,000	0.39
Number currently exercisable	2,625,300	\$ 0.66	2,735,000	\$ 0.39

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

STOCK OPTIONS AND WARRANTS (cont'd...)

As at June 30, 2005, incentive stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	1,685,000	\$ 0.30	November 21, 2008
	950,000	0.52	February 18, 2010
	100,000	0.54	April 15, 2010
Warrants	875,000	0.53	December 13, 2005
		then at 0.58	December 13, 2006
	1,592,500	0.75	June 26, 2007
	157,800	0.55	June 26, 2006

Stock-based compensation

During the period ended June 30, 2005, the Company granted 1,050,000 options to consultants, officers and directors. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of operations. Total stock-based compensation recognized in the statement of operations was \$394,429 and the weighted average fair value of options granted was \$0.38 per share. This amount was also recorded as contributed surplus on the balance sheet. There were no options granted in fiscal 2004.

The following weighted average assumptions were used for the valuation of stock options and share purchase warrants:

	2005	2004
Risk-free interest rate	4.11%	3.06%
Expected life of options and/or warrants	2 years	2 years
Annualized volatility	78%	81%
Dividend rate	0.00%	0.00%

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for quarter ended June 30, 2005.

- (a) Issuing 2,500,000 shares at a value of \$1,150,000 pursuant to the acquisition of a mineral property interest as per commitment made in fiscal 2004.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, marketable securities, long-term investments, and accounts payable and accrued liabilities. 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. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

10. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral properties. Geographic information is as follows:

	June 30, 2005	December 31, 2004
Capital assets:		
Canada	\$ 445,162	\$ 434,520
Ecuador	<u>2,491,028</u>	<u>1,844,415</u>
	<u>\$ 2,936,190</u>	<u>\$ 2,278,935</u>

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2005, the Company:

- a) issued 70,000 common shares for proceeds of \$24,000 pursuant to the exercise of options.
- b) resolved a title dispute on the optioned Blackhorn Gold Project and re-negotiated a buy-out of the Blackhorn and Ronoke Properties to acquire a 100% interest. The Company issued 200,000 shares and a \$10,000 cash payment to the vendor of the property in return for removal of the Net Smelter Return royalty interest and for cancelling the \$25,000 cash payment and stock issuance of 400,000 shares due next year.
- c) completed the second tranche of the private placement to raise a further \$888,000 for a total of \$1,525,000 on July 15, 2005. The terms were the same as the first tranche completed on June 24, 2005. Commissions for this tranche totalled \$34,800 of cash payments and 130,500 broker warrants.
- d) returned the Ice Claims at Elkford in Southeast British Columbia to the vendor, Doublestar Resources Ltd. on July 13, 2005 and wrote off the capitalized costs attributed to this project.