

COMMANDER RESOURCES LTD.

FINANCIAL STATEMENTS

For The Nine Months Ended

September 30, 2004

(See Notice)

Notice of No Auditor Review of the Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of Commander Resources Ltd. ("the Company"), for the nine months ended September 30, 2004 have been prepared by management and have not been the subject of a review by the Company's independent auditor.

COMMANDER RESOURCES LTD.**Balance Sheets**

	September 30, 2004	December 31, 2003 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 800,872	\$ -
Cash, exploration funds (Note 13)	-	1,893,328
Marketable securities (Note 3)	893,353	928,353
Accounts receivable	164,155	171,766
Due from related parties (Note 9)	7,473	35,134
Prepaid expenses (Note 4)	19,749	21,280
Field inventory	173,152	-
Bid deposits (Note 5)	-	330,642
	2,058,754	3,380,503
Mineral properties (Note 6)	8,533,991	5,063,785
Property, plant and equipment (Note 7)	74,931	27,421
	\$ 10,667,676	\$ 8,471,709
LIABILITIES		
Current liabilities		
Cheques in excess of funds on deposit	\$ -	\$ 67,750
Accounts payable and accrued liabilities	582,710	46,300
	582,710	114,050
Future income taxes	-	553,455
	582,710	667,505
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	22,222,529	19,630,960
Contributed surplus	9,449	9,449
Stock-based compensation (Note 8 (e))	738,263	149,431
Deficit	(12,885,275)	(11,985,636)
	10,084,966	7,804,204
	\$ 10,667,676	\$ 8,471,709

Nature of operations and going concern (Note 1)

Commitment (Note 10)

Subsequent Events (Note 14)

Approved by the Directors:

"Kenneth E. Leigh"
Kenneth E. Leigh

"William J. Coulter"
William J. Coulter

COMMANDER RESOURCES LTD.

Statements of Operations and Deficit
(Unaudited – See Notice)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Revenue				
Production interest	\$ -	\$ 107,190	\$ 19,250	\$ 296,605
Mineral property transactions	-	-	63,016	-
	-	107,190	82,266	296,605
General and administrative expenses				
Audit and accounting	16,628	12,147	45,315	33,192
Amortization	4,635	2,816	12,547	4,870
Annual report and meeting	646	-	8,188	9,409
Consultants	15,450	12,000	47,335	32,780
Insurance	20,250	16,500	20,250	16,500
Investor relations and promotion	34,619	26,174	160,480	51,329
Legal	13,113	3,872	16,331	11,547
Office and miscellaneous	13,420	10,494	58,337	36,014
Regulatory fees	4,180	(533)	16,068	7,479
Rent and storage	9,024	8,027	17,572	30,143
Salaries and benefits	88,375	50,989	280,532	154,296
Stock-based compensation	110,007	-	670,250	-
Telephone	1,360	1,301	5,395	3,743
Transfer agent	2,151	1,568	9,759	7,845
	333,858	145,355	1,368,359	399,147
Loss before the undernoted	(333,858)	(38,165)	(1,286,093)	(102,542)
Administration fees	-	-	-	904
Investment income	4,548	3,810	22,288	23,715
Property investigation	(5,679)	(15,153)	(5,851)	(18,669)
Gain (loss) on sale of marketable securities	-	(150)	(14,000)	2,614
Write down of mineral properties	(169,438)	(33,354)	(169,438)	(33,354)
Loss before taxes	(504,427)	(83,012)	(1,453,094)	(127,332)
Future income taxes	140,401	-	553,455	-
Loss for the period	(364,026)	(83,012)	(899,639)	(127,332)
Deficit, beginning of period	(12,521,249)	(9,393,390)	(11,985,636)	(9,349,070)
Deficit, end of period	\$ (12,885,275)	\$ (9,476,402)	\$ (12,885,275)	\$ (9,476,402)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.01)
Weighted average number of shares outstanding	25,967,914	17,764,216	24,453,301	17,677,629

COMMANDER RESOURCES LTD.

Statements of Cash Flows

(Unaudited – See Notice)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Cash provided from (used for):				
Operating activities				
Loss for the period	\$ (364,026)	\$ (83,012)	\$ (899,639)	\$ (127,332)
Items not involving cash:				
Amortization	4,635	2,816	12,547	4,870
Gain (loss) on sale of marketable securities	-	150	14,000	(2,614)
Stock-based compensation	110,007	-	670,250	-
Future income taxes	(140,401)	-	(553,455)	-
Write down of mineral properties	169,438	33,354	169,438	33,354
	(220,347)	(46,692)	(586,859)	(91,722)
Net change in non-cash working capital items				
Cash, exploration funds	733,065	-	1,893,328	-
Accounts receivable	(27,011)	(37,779)	7,611	123,567
Due from related parties	(1,407)	114,024	27,661	141,643
Prepaid expenses	114,896	(15,211)	1,531	(13,075)
Field inventory	(173,152)	-	(173,152)	-
Bid deposits	-	-	330,642	-
Accounts payable and accrued liabilities	99,723	130,689	126,506	111,682
	525,767	145,031	1,627,268	272,095
Investing activities				
Proceeds from sale of marketable securities	-	-	21,000	7,165
Purchase of marketable securities	-	(63,000)	-	(102,000)
Note receivable	-	18,286	-	13,920
Mineral property acquisition and exploration costs	(1,923,323)	(619,428)	(3,604,844)	(792,082)
Accounts payable and accrued liabilities related to mineral properties	(157,659)	291,145	409,904	30,150
Purchase of equipment	(14,204)	(16,648)	(60,057)	(20,448)
	(2,095,186)	(389,645)	(3,233,997)	(863,295)
Financing activities				
Shares issued for cash, net of issue costs	1,110,880	49,812	2,475,351	141,812
Increase (decrease) in cash and cash equivalents				
	(458,539)	(194,802)	868,622	(449,388)
Cash and cash equivalents, beginning of period	1,259,411	1,089,104	(67,750)	1,343,690
Cash and cash equivalents, end of period	\$ 800,872	\$ 894,302	\$ 800,872	\$ 894,302

Cash and cash equivalents is defined to include cash and cash equivalents less cheques in excess of funds on deposit.

Supplemental cash flow information (Note 12)

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Notes to Financial Statements

September 30, 2004

(Unaudited – See Notice)

1. Nature of Operations and Going Concern

The Company is in the process of actively exploring and developing its mineral properties and has not yet determined whether these properties contain mineral resources or ore reserves. The Company is considered to be in the exploration stage.

The recoverability of amounts shown for mineral property interests is dependent upon one or more of the following:

- the discovery of ore reserves;
- the ability of the Company to obtain financing to complete development; and
- future profitable production from the properties or proceeds from disposition.

At September 30, 2004, the Company had incurred a deficit of \$12,885,275 and had working capital of \$1,476,044, which is sufficient to achieve the Company's planned business objectives for fiscal 2004. However, the Company may require additional financing, if the Company elects to expand its current 2004 exploration programs and/or property commitments (see Subsequent Events).

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders and other related parties, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(b) Basis of presentation

The accompanying interim financial statements have not been reviewed by an Auditor and are prepared in accordance with GAAP in Canada with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosure required by Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the preparation of the accompanying unaudited interim financial statements are the same as those described in the annual financial statements and the notes thereto for the year ended December 31, 2003. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the Company's financial statements including the notes thereto for the year ended December 31, 2003.

(c) Certain comparative figures

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

3. Marketable Securities

Marketable securities are carried at the lower of cost or quoted market value. When market value is below cost, any unrealized loss is charged to income. During the quarter, marketable securities were written down by \$Nil. The quoted market value of marketable securities at September 30, 2004 was \$1,605,000.

Included in marketable securities are 167,647 common shares of Fjordland Exploration Inc., a company related by virtue of a common director and 1,720,000 common shares of Diamonds North Resources Ltd., a company related by virtue of another common director.

4. Prepaid Expenses

In the previous quarter, prepaid expenses included a loan receivable from the Company's drill contractor, which was repaid during the quarter. The loan bore interest at Bank of Montreal prime lending rate plus 3% and was repaid by applying 50% of the invoices rendered by the drill contractor against the loan. Due to the short-term nature of the loan receivable, the Company did not classify this amount as a separate line item on the balance sheet. The Company collected \$2,803 in interest on the loan.

5. Bid Deposits

In the prior fiscal year, the Company filed two applications with the Mining Recorder's Office for prospecting permits in Nunavut and was required to provide a cash deposit of \$330,642. The Company elected to withdraw the applications and received a refund of the deposit less the application fee.

COMMANDER RESOURCES LTD.

Notes to Financial Statements

September 30, 2004

(Unaudited – See Notice)

6. Mineral Properties

At September 30, 2004, the Company held mineral properties exclusively in Canada. Expenditures incurred on the mineral properties are as follows:

	Sarah Lake	Green Bay	Adlatok 1	Sally	Qimmiq	Dewar Lake	Bravo Lake	Other Properties	Total
Balance at									
December 31, 2003	\$ 1,136,260	\$ 599,997	\$ 109,621	\$ 56,890	\$ 293,385	\$ 126,480	\$ 100,783	\$ 2,640,369	\$ 5,063,785
Additions during the year:									
Acquisition costs:	-	-	-	-	7,143	-	-	34,800	41,943
Exploration costs:									
Administration	-	-	-	-	12,034	266	115	-	12,415
Drilling	-	495	-	-	1,642,189	-	-	900	1,643,584
Geochemistry	-	-	-	-	85,395	2,197	21,228	-	108,820
Geology	3,650	1,089	7,244	3,068	102,970	-	64,243	47,998	230,262
Geophysics -Airborne	-	-	-	-	230,057	-	85,326	28,800	344,183
Geophysics -Ground	1,000	-	-	-	98,796	-	31,017	13,520	144,333
Licences and fees	-	1,056	-	-	49,396	32,689	-	17,291	100,432
Mobilization/demob.	-	-	-	-	298,760	9,249	18,423	430	326,862
Permitting	-	-	-	-	2,582	-	-	-	2,582
Prospecting	-	-	-	-	461,365	83,671	155,362	1,825	702,223
	4,650	2,640	7,244	3,068	2,983,544	128,072	375,714	110,764	3,615,696
Less:									
Recoveries	-	(3,163)	(12,782)	-	-	-	-	(2,050)	(17,995)
Write down	-	(169,438)	-	-	-	-	-	-	(169,438)
	-	(172,601)	(12,782)	-	-	-	-	(2,050)	(187,433)
Net additions	4,650	(169,961)	(5,538)	3,068	2,990,687	128,072	375,714	143,514	3,470,206
Balance at									
September 30, 2004	\$ 1,140,910	\$ 430,036	\$ 104,083	\$ 59,958	\$ 3,284,072	\$ 254,552	\$ 476,497	\$ 2,783,883	\$ 8,533,991

(a) Sarah Lake Joint Venture, Labrador

The Company owns a 48% interest in the Sarah Lake Joint Venture, which was formed in 1998. An option was granted to Falconbridge Limited ("Falconbridge") in 2001, requiring Falconbridge to incur \$4,000,000 in exploration expenditures by 2006 to earn a 50% joint venture interest. On April 16, 2004, Donner Minerals, the operator of the joint venture, informed the Company that Falconbridge had elected to terminate the option.

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6. Mineral Properties (continued)

(b) Green Bay, Newfoundland

The Company holds a 100% interest in the Green Bay property. In the prior fiscal year, the Company sold four claim blocks within the Green Bay property (mineral exploration license 4870) to Richmond Mines Inc. ("Richmont") in consideration for a royalty of \$25 for each ounce of gold produced. Richmont notified the Company that it would not be pursuing further exploration and at the election of the Company, Richmont will return the property.

(c) Adlatok 1, Labrador

The Company owns a 59.5% interest in the Adlatok 1 property.

(d) Sally, Labrador

The Company owns a 100% interest in the Sally property.

(e) Qimmiq, Nunavut

The Company has an option agreement with BHP Billiton Diamonds Inc. ("BHP Billiton") to explore for gold on 50,000 hectares of Nunavut Tunngavik Incorporated leases on Baffin Island, Nunavut. Under the option agreement, the Company may earn 50% of BHP Billiton's exploration rights by expending \$4 million by 2007, 80% by expending an aggregate \$10 million by 2012 and a 100% interest by delivering a feasibility study to BHP Billiton by December 31, 2014. The option agreement is subject to a floating net smelter return royalty from 1% to 3% based on gold prices, payable to BHP Billiton and a 12% royalty on net profits payable on production from the Nunavut Tunngavik Incorporated leases. If a mineral discovery is made, excluding gold, BHP Billiton may exercise a back-in option on the mineral discovery allowing BHP Billiton to re-acquire up to an aggregate of a 75% interest for a period of up to ten years after the Company has earned a 100% interest in the property.

(f) Dewar Lake, Nunavut

The Company earned a 100% interest in BHP Billiton Diamonds Inc. ("BHP Billiton") sixteen Nunavut Exploration Permits covering just under 400,000 hectares on Baffin Island, Nunavut by incurring \$200,000 in expenditures on the property before December 31, 2005. The option agreement is subject to a floating net smelter return royalty from 1% to 3% based on gold prices, payable to BHP Billiton. If a mineral discovery is made, excluding gold, BHP Billiton may exercise a back-in option on the mineral discovery allowing BHP Billiton to re-acquire up to an aggregate of a 75% interest for a period of up to ten years after the Company has earned a 100% interest in the property.

Notes to Financial Statements

September 30, 2004

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6. Mineral Properties (continued)

(g) Bravo Lake, Nunavut

The Company has an option agreement with Falconbridge Limited ("Falconbridge") to explore for gold, diamonds and other metals on twelve Nunavut Exploration Permits covering over 720,000 acres all on Baffin Island, Nunavut. These Falconbridge permits adjoin the BHP Billiton properties optioned in June. The Company may earn a 100% interest in Falconbridge's exploration rights and interest on Baffin Island by incurring \$8 million of exploration expenditures on the property by 2011.

If a nickel and/or base metal mineral discovery is made, Falconbridge can exercise a back-in option on the mineral discovery allowing Falconbridge to re-acquire up to an aggregate of a 75% interest. If a diamond resource discovery is made, Falconbridge may exercise a back-in option on the mineral discovery allowing Falconbridge to re-acquire up to an aggregate of a 50% interest.

The option agreement is subject to the following royalties payable to Falconbridge:

- on gold, a sliding scale net smelter return royalty from 1% to 3% based on gold prices;
- on nickel production, a 2% net smelter return royalty;
- on diamonds, a 2% gross overriding royalty; and
- on base metal production, a 1.5% net smelter return royalty.

(h) Big Hill, Newfoundland

In February 2004, the Company completed an option agreement with Black Bart Prospecting Inc. whereby the Company may acquire a 100% interest in the Big Hill property, consisting of four claims in the Baie Verte Electoral District, Newfoundland. Under the terms of the agreement, the Company has paid \$7,000 in cash, issue an aggregate of 200,000 common shares over four years (60,000 shares issued) and expend a total of \$480,000 in exploration expenses on the property over four years. The option is subject to a 2.5% net smelter return royalty with a 1.5% buy back provision.

COMMANDER RESOURCES LTD.**Notes to Financial Statements**

September 30, 2004

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6. Mineral Properties (continued)**(i) Other Properties**

The Company owns several other properties in Canada in which it holds interests ranging from 30% to 100%. The Company has granted options on some of these properties. The carrying values of those properties included under Other Properties at September 30, 2004 are as follows:

	2004
British Columbia	
Abe & Pal	\$ 28,683
Tam	60,131
New Brunswick	
Rio	856,411
Stewart	426,887
Nunavut	
Talik	56,640
Newfoundland and Labrador	
Big Hill	87,202
Sadie	1,362
Ontario	
Dorothy	55,591
Matheson	14,213
McVean	8,558
Sabin	83,753
Quebec	
Despinassy (1)	104,920
Yukon	
Olympic, Rob	999,203
Rein	329
	\$ 2,783,883

(1) On April 26, 2004, the Company reported that Cameco Corporation (“Cameco”), the Company’s Joint Venture Partner on the Despinassy, Quebec Project, entered into an Agreement with Alto Ventures Ltd. (Alto ventures”) for Cameco’s 70% interest in the Project. The Company waived it’s right of first refusal under the Joint Venture in consideration for the following:

- 100,000 common shares of Alto Ventures at a deemed price of \$0.10 per share;
- Alto Ventures shall carry the Company’s 30% Joint Venture obligations to a maximum of \$150,000; and
- the Company retains the right of first refusal under the Joint Venture should Alto Ventures withdraw the Agreement with Cameco.

COMMANDER RESOURCES LTD.**Notes to Financial Statements**

September 30, 2004

(Unaudited – See Notice)

7. Property, Plant and Equipment

	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 55,074	\$ 47,106	\$ 7,968
Computer equipment	133,091	92,252	40,839
Leasehold improvements	28,293	2,169	26,124
	<u>\$ 216,458</u>	<u>\$ 141,527</u>	<u>\$ 74,931</u>

8. Share Capital**(a) Authorized:**

100,000,000 common shares without par value.

(b) Issued and outstanding common shares

	Number of Shares	Amount
Balance, December 31, 2003	21,623,730	\$ 19,630,960
Issued for cash:		
Private placement, net of issue cost (Note 8(c))	1,920,000	1,091,880
Exercise of warrants	2,426,888	1,232,988
Issued for cash and other consideration:		
Exercise of options, for cash	668,165	150,483
Exercise of options, stock-based compensation		81,418
For mineral property	60,000	34,800
<u>Balance, September 30, 2004</u>	<u>26,698,783</u>	<u>\$ 22,222,529</u>

(c) Private Placement

On August 6, 2004, the Company completed a non-brokered private placement of 1,920,000 flow-through common shares at \$0.60 per share of which 1,620,000 flow-through common shares were issued on August 4, 2004 and 300,000 flow-through common shares were issued on August 6, 2004. Finders' fees of \$54,936 were paid in cash. The shares are subject to a four month hold period and may not be traded until December 5, 2004 and December 7, 2004, respectively.

COMMANDER RESOURCES LTD.**Notes to Financial Statements**

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(Unaudited – See Notice)

8. Share Capital (continued)**(d) Stock Options**

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. Under the Company's Stock Option Plan, the Company may grant options for the purchase of up to 4,847,623 common shares. Vesting of options is made at the discretion of the board of directors at the time the options are granted. At September 30, 2004, the Company had stock options outstanding for the purchase of 2,866,667 common shares with an average remaining contractual life of 4.07 years, of which 2,366,667 stock options are exercisable at September 30, 2004.

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2003	1,676,832	\$0.22
Granted	1,858,000	\$0.53
Exercised	(668,165)	\$0.23
Outstanding at September 30, 2004	2,866,667	\$0.41

The following summarizes information about stock options outstanding at September 30, 2004:

Number of Shares	Exercise Price	Expiry Date
27,665	\$0.23	December 14, 2004
179,332	\$0.23	September 11, 2006
50,000	\$0.17	December 19, 2007
430,004	\$0.20	January 23, 2008
241,666	\$0.26	August 20, 2008
5,000	\$0.45	September 10, 2008
75,000	\$0.50	December 18, 2008
700,000	\$0.53	January 21, 2009
50,000	\$0.64	February 19, 2009
808,000	\$0.56	May 18, 2009
100,000	\$0.40	September 6, 2009
200,000	\$0.40	September 21, 2009
2,866,667		

COMMANDER RESOURCES LTD.**Notes to Financial Statements**

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8. Share Capital (continued)**(e) Stock-Based Compensation**

In the fourth quarter of fiscal 2003, the Company adopted the CICA released amendments to Section 3870, "Stock-based Compensation and Other Stock-based Payments," which requires an expense to be recognized in the financial statements for all forms of employee stock-based compensation, including stock options. Prior to the adoption, the Company disclosed the effects of accounting for stock-based compensation only to directors and employees as compensation expense, using the fair-value based method, as pro-forma information in the share capital note. In the prior year, the pro-forma disclosed stock-based compensation expense for the nine months ended September 30, 2003 was \$129,884.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions at September 30, 2004:

Risk-free interest rate	2.64%
Expected dividend yield	-
Expected stock price volatility	114.85%
Expected option life in years	2.60

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

(f) Warrants

The following summarizes information about warrants outstanding at September 30, 2004:

Exercise Price	Expiry Date	Outstanding at December 31, 2003	Issued	Exercised	Expired	Outstanding at September 30, 2004
\$0.505	February 28, 2004	2,388,888	-	2,388,888	-	-
\$0.70	December 2, 2004	1,865,000	-	38,000	-	1,827,000
\$0.70	December 2, 2004	23,800	-	-	-	23,800
\$0.70	December 10, 2004	1,635,000	-	-	-	1,635,000
\$0.70	December 10, 2004	54,600	-	-	-	54,600
		5,967,288	-	2,426,888	-	3,540,400

(g) Agents' Options

The following summarizes information about Agents' Options outstanding at September 30, 2004:

Exercise Price	Expiry Date	Outstanding at December 31, 2003	Issued	Exercised	Expired	Outstanding at September 30, 2004
\$0.70	December 2, 2004	119,500	-	-	-	119,500

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\$0.70	December 10, 2004	77,700	-	-	-	77,700
		197,200	-	-	-	197,200

9. Related Party Transactions

In addition to the marketable securities disclosed in Note 3, the Company has the following related party transactions and balances:

- (a) The Company shares certain administrative costs with four other companies related by virtue of common directors. Included in accounts receivable is an aggregate of \$7,473 owed by those companies for shared administrative expenses.
- (b) The Company paid or accrued legal fees in the aggregate of \$537 to a personal law corporation owned by an officer of the Company.

10. Commitment

The Company entered into an agreement for the lease of new office premises for a six year period expiring on September 30, 2010. The Company moved into the premises on March 1, 2004. The cost of the entire premises is shared amongst several companies in proportion to the area occupied. Some of the companies are related by virtue of common directors. The Company's proportionate share of minimum annual basic rental payments under this arrangement is approximately \$66,000.

11. Segmented Information

The Company has one operating segment, mineral exploration, and all assets of the Company are located in Canada.

Revenues for the period were derived from a production interest, which was earned in Canada.

12. Supplemental Cash Flow Information

Significant non-cash operating, investing and financing activities:

Investing activities:

Shares issued for mineral property	\$	34,800
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Financing activities:

Stock-based compensation	\$	81,418
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Other cash flow information:

Interest received	\$	10,264
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Notes to Financial Statements

September 30, 2004

(Unaudited – See Notice)

13. Income Taxes

Flow-through shares are issued by a company that incurs certain resource expenditures and renounces them for tax purposes allowing the expenditures to flow-through to the subscriber who purchased the shares. Subscribers may in turn claim expenditures as a deduction on their personal or corporate tax returns.

The total amount of funds raised through the issuance of flow-through shares must be spent on qualified mineral exploration. The proceeds of flow-through financing are restricted in use for Canadian Exploration Expenditures (“CEE”) under Canadian Income Tax Legislation. The flow-through gross proceeds less the qualified expenditures made to date, represent the funds received from flow-through share issuances which have not been spent as at December 31, 2003 and which are held in trust for such expenditures. As at September 30, 2004, all flow-through funds had been expended.

14. Subsequent Events

- (a) On October 12th, 2004, the Company entered into a Purchase and Royalty Agreement with John Robins, whereby John Robins has agreed to sell to the Company his 50% interest in the ABE and PAL porphyry copper-gold mineral properties located within the Quesnel Trough approximately 100 kilometres south of the Kemess Cu-Au Mine within the Omineca Mining District, British Columbia. With the purchase of Robin’s 50% interest, the Company owns 100% interest in the properties.

In consideration of the purchase, the Company will issue 70,000 units of the Company consisting of one common share and one-half of one purchase warrant (issued on October 28th). Each full warrant entitles Robins to purchase one common share of the Company at a price of \$0.70 per share, exercisable for a period of one year. In addition, Robins retains a 1% NSR in the properties and will participate in certain cash/share considerations received from the future sale or option of the properties to a third party.

Prior to this agreement, the properties were governed by the “Takla Joint Venture Agreement” dated September 17, 1990 in which the Company (previously Major General Resources Ltd.) owned a 50% interest and the “Hunter Exploration Group” owned a 50% interest. Robins is the successor in title to all parties comprising the Hunter Exploration Group. With the completion of this agreement, the Takla Joint Venture Agreement is terminated.

- (b) On November 17th, 2004, the Company reported that the Company was arranging a non-brokered private placement to raise up to \$1,325,000. The private placement will comprise up to 1,500,000 flow-through common shares at \$0.35 per flow-through share and up to 2,500,000 non flow-through Units at \$0.32 per Unit, each Unit consisting of one common share and one non-transferable share purchase warrant. Each warrant is exercisable into one common share for two years from the date of completion at a price of \$0.45 per common share during the first year and at \$0.50 per common share during the second year. Finders’ fees of 6% of the gross proceeds may be payable in cash or Units on a portion of this placement. The financing is subject to acceptance by the TSX Venture Exchange.