British Columbia Securities Commission

QUARTERLY AND YEAR END REPORT
BC FORM 51-901F
(previously Form 61)

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ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED			DATE OF REPORT Y	M	D
NEWPORT EXPLORATION LTD.	04	07	31	04	11	15

ISSUER ADDRESS				
408 – 837 WEST HASTINGS STREET				
CITY/	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
VANCOUVER	BC	V6C 3N6	604-685-6493	604-685-6851
CONTACT PERSON		CONTACT'S POSITION		CONTACT TELEPHONE NO.
BARBARA DUNFIELD		DIRECTOR		604-685-6851
CONTACT EMAIL ADDRESS		WEB SITE ADDRESS		
ir@newport-exploration.com		www.newport-exploration.com		

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED Y	M	D
"IAN ROZIER"	IAN ROZIER	04	11	24
"BARBARA DUNFIELD"	BARBARA DUNFIELD	04	11	24

SCHEDULE A: FINANCIAL INFORMATION

See attached audited financial statements for the year ended July 31, 2004.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. Analysis of expenses and deferred costs:

   See attached audited financial statements for the year ended July 31, 2004.

2. Related party transactions:

   See Note 10 to the attached audited financial statements for the year ended July 31, 2004.

3. a) Securities issued during the year:

Date of Issue	Type of Security	Type of Issue	Number	Price	Total Proceeds	Type of Consideration	Commission
Dec. 16/03	Common shares	Private Placement	5,549,000	$0.35	$1,942,150	Cash	$73,088
Jan. 14/04	Common shares	Exercise of Warrants	100,000	0.25	25,000	Cash	-
Jan. 15/04	Common shares	Exercise of Warrants	100,000	0.25	25,000	Cash	-
Mar 12/04	Common shares	Fractional Shares	24	-	-	-	-
Mar 15/04	Common shares	Exercise of Warrants	600,000	0.25	150,000	Cash	-

   b) Summary of stock options granted during the year: Nil

4. Summary of securities as at the end of the reporting period.

   a) Authorized: 100,000,000 common shares without par value.

   b) Issued and outstanding:

	Number Of Shares	Amount
Balance, July 31, 2004	14,527,874	$ 34,305,271

   c) See Note 8 to the attached audited financial statements for the year ended July 31, 2004.

   d) There were no shares held in escrow at July 31, 2004.

5. List of Directors and Officers:
   Ian Rozier – President and Director
   Barbara Dunfield – CFO, Secretary and Director
   David Cohen – Director
   Douglas Hyndman – Director
   Paul Ray – Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

The following discussion of the operating results and financial position of the Company should be read in conjunction with the financial statements and related notes thereto.

Results of Operations

The Company is primarily engaged in the acquisition and exploration of natural resource properties.

The Company incurred a loss from operations of $432,025 (2003 - $629,727) during the year ended July 31, 2004 and had working capital of $2,327,062 (July 31, 2003 - $501,637) at July 31, 2004.

Financings

The Company completed a non-brokered private placement for 5,549,000 units at $0.35 per unit raising a total of $1,942,150. Each unit consists of one common share and one two year share purchase warrant to purchase an additional common share at a price of $0.40 per share in the first year and $0.45 per share in the second year. A finder's fee totaling $73,088 and 292,400 share purchase warrants were payable in connection with this transaction.

Mineral Properties

Mantua Copper Project, Cuba

During fiscal 2003, the Company entered into an option agreement to acquire an undivided 50% interest in the Mantua Copper Project (the "Project") in Cuba from Northern Orion Explorations Ltd. ("Northern Orion"). Upon exercise of the option, the Company will acquire 100% of the issued and outstanding shares of Minera Mantua Inc., a wholly owned subsidiary of Northern Orion which owns a 50% interest in the Project. As consideration for the option, the Company issued to Northern Orion 400,000 common shares at an agreed value of $100,000. To maintain the option, the Company must assume Northern Orion's carrying costs on the Project of up to a maximum of USD$20,000 per month and must complete a sampling and metallurgical test program of up to USD$750,000 by December 9, 2003.

During the current year, the Company decided to abandon this property and all costs were written-off to operations, of which $89,417 was recorded as a recovery of costs.

Franco Gold Project, Mexico

During the current year, the Company entered into an agreement with Cardero Resources Ltd. ("Cardero"), to acquire a 50% interest in the Franco Gold Project ("Franco") located in San Luis Potosi, Mexico. The Company is obligated to make a payment of US$50,000 upon signing the agreement, which has been paid. The Company is also required to incur US$250,000 in exploration expenditures on or before August 3, 2004, of which US$100,000 has been paid and recorded in prepaids, and make payments of US$80,000 to the underlying optioner of Franco by September 3, 2004. The property is subject to a 2% net smelter royalty.

Subsequent to year end, the Company decided to abandon this property and $68,950 was written-off to operations.

Subsequent to July 31, 2004, the Company recovered the US$100,000 which had been paid as exploration expenditures and recorded in prepaids.

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd…)

Mineral Properties (Cont'd…)

Mulga Tank Nickel Project, Australia

In May 2004 the Company announced that it had entered into an Agreement with King Eagle Resources Pty Limited ("King Eagle") of Sydney, Australia whereby the Company acquired an option over an 80% interest in the Mulga Tank Nickel Project, (Mulga Tank") in Western Australia.

Mulga Tank is a significant target for a large dunite hosted nickel sulphide deposit and is located approximately 250km northeast of Kalgoorlie in the Northeast Goldfields of Western Australia, an area that contains some of the world's largest nickel deposits. The Mulga Tank Tenements comprise an Exploration Licence covering 210 sq km, and an Application for Exploration Licence over 154 sq km. Under the terms of the Agrement with King Eagle, the Company has secured an option over an 80% interest in the exploration Licence and an option over a 75% interest in the Application Exploration Licence.

The Mulga Tank tenements overlay portions of an extensive greenstone belt which includes the Minigwal dunite, a large, intense, circular, magnetic anomaly with an area of approximately 4 km in diameter. This anomaly has the characteristics for a major dunite hosted nickel sulphide deposit such as M. Keith (517 Mt @ 0.54% Ni at a 0.2% cut-off), which is also located in the Northeast Goldfields area of Western Australia. Technical work undertaken by BHP at Mulga Tank in the early 1980's reported assay results of up to 2% nickel and defined an extensive zone of 0.2% - 0.5% Ni, which included 2261m of shallow RC drilling that remains open at depth in all directions.

The terms of the Option Agreement for the Company to acquire the interest in both licences from King Eagle are staged payment totaling Six Hundred Thousand Canadian Dollars (C$600,000), the issuance of Two Million Two Hundred and Fifty Thousand (2,250,000) common shares of Newport over a three year peiod and expenditures of Two Million Five Hundred Thousand (C$2,500,000) Canadian Dollars within 36 months of approval by the TSX Venture Exchange (received September 2, 2004). Should Mulga Tank be placed in commercial production a further one million common shares of Newport will be issued to King Eagle.

The schedule of the cash consideration of the Purchase Price payable by Newport is as follows:

- Thirty Thousand Canadian Dollars (C$30,000) within 10 days of signing the Option Agreement. This amount has been paid.
- Thirty Thousand Canadian Dollars (C$30,000) on closing. This amount has been paid.
- Sixty Thousand Canadian Dollars (C$60,000) within twelve (12) months of closing;
- Ninety Thousand Canadian Dollars (C$90,000) within twenty-four (24) months of closing;
- One Hundred and Fifty Thousand Canadian Dollars (C$150,000) within thirty-six (36) months of closing.
- Two Hundred and Forty Thousand Dollars (C$240,000) upon completion of a feasibility study.

The share consideration of the Purchase Price payable by Newport is as follows;

- One Hundred and Fifty Thousand (150,000) common shares of Newport to be issued to King Eagle within ten (10) days of closing. These shares have been issued.
- A further Three Hundred Thousand (300,000) common shares of Newport to be issued to King Eagle within twelve (12) months of closing;
- Four Hundred and Fifty Thousand (450,000) common shares of Newport to be issued to King Eagle within Twenty-Four (24) months of closing;
- Six Hundred Thousand (600,000) common shares of Newport to be issued to King Eagle within thirty-six (36) months of closing.
- Seven Hundred and Fifty Thousand (750,000) common shares of Newport to be issued to King Eagle on completion of a feasibility study.

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd…)

Mineral Properties (Cont'd…)

Mulga Tank Nickel Project, *Australia* (Cont'd…)

- One million (1,000,000) common shares of Newport to be issued to King Eagle on commencement of commercial production.

Expenditure commitments on Mulga Tank are Two Million Five Hundred Thousand (C$2,500,000) Canadian Dollars within 36 months of the date of closing, such expenditures to be at the following schedule;

- Two Hundred and Fifty Thousand Canadian Dollars (C$250,000) within 12 months of closing;
- A further Five Hundred Thousand Canadian Dollars (C$500,000) within twenty-four months of closing;
- A further Seven Hundred and Fifty Thousand Canadian Dollars (C$750,000) within 36 months of closing;
- A further One Million Canadian Dollars (C$1,000,000) within 48 months of closing.
- Amounts of less than 30% of the committed expenditures that are incurred annually as per the schedule as outlined can be accrued for expenditures the following year with no penalty or default on the part of Newport. The balance of other unspent amounts will be subject to a 50% penalty of such amount to be paid in cash to King Eagle.

The Mulga Tank nickel project will be the major focus of the Company going forward. The Company is well funded to meet its obligations on the property for the first two years.

Liquidity and Cash Reserves

At July 31, 2004, the Company had cash and equivalents of $364,035 compared with $573,609 at July 31, 2003. Accounts payable decreased to $15,060 from $103,413 and obligation under capital was reduced from $38,650 to $28,461.

Investor Relations

Management of the Company replied to shareholder inquiries. The Company has not entered into any formal investor relations contracts or agreements.

Related Party Transactions

The Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $82,000 (2003 - $120,000) to a company controlled by a director.

b) Paid or accrued management fees of $38,000 (2003 - $60,000) to a company controlled by a director.

c) Paid or accrued rent of $22,500 (2003 - $36,710) to a company controlled by a director.

Included in prepaids at July 31, 2004 is $9,000 (2003 - $Nil) for consulting fees and management fees to companies controlled by directors of the Company.

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.

Legal Proceedings

None.

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS (cont'd…)

Material Variances

During the period, there was a significant decrease in the Company's overall administration expenses resulting in a loss of $432,025 for the current year from $629,727 in the year ended July 31, 2003. Particularly the categories of travel and related costs, consulting fees, regulatory fees and investor relations reflected the largest changes in costs between the two periods. Most of these increased costs in the previous year were incurred by the Company as a result of the acquisition of the Company's Mantua Copper project in Cuba. Included in the loss for the current year was a $170,479 write-off mineral property and deferred exploration costs. The Company wrote-off the costs related to the Mantua Copper project in Cuba and the Franco Gold project in Mexico.

Subsequent Events

The following events occurred subsequent to July 31, 2004:

a) The Company entered into an agreement with King Eagle, to acquire an 80% interest in Mulga Tank. The Company made payments of $60,000 and issued 600,000 common shares at a value of $18,000 pursuant to the terms of the agreement.

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ISSUER FAX NO.	604-685-6493
ISSUER TELEPHONE NO.	604-685-6851
CONTACT PERSON	BARBARA DUNFIELD
CONTACT'S POSITION	DIRECTOR
CONTACT TELEPHONE NO.	604-685-6851
CONTACT EMAIL ADDRESS	ir@newport-exploration.com
WEB SITE ADDRESS	www.newport-exploration.com

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED Y	M	D
"IAN ROZIER"	IAN ROZIER	04	11	24
"BARBARA DUNFIELD"	BARBARA DUNFIELD	04	11	24

NEWPORT EXPLORATION LTD.

FINANCIAL STATEMENTS

JULY 31, 2004

AUDITORS' REPORT

To the Shareholders of
Newport Exploration Ltd.

We have audited the balance sheets of Newport Exploration Ltd. as at July 31, 2004 and 2003 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY"

Vancouver, Canada — Chartered Accountants

November 15, 2004

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, BC, Canada, V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

NEWPORT EXPLORATION LTD.
BALANCE SHEETS
AS AT JULY 31

	2004	2003
ASSETS		
Current		
Cash and equivalents	$ 364,035	$ 573,609
Term deposits	1,848,909	-
Marketable securities (Note 3)	13,975	20,319
Receivables	6,629	5,261
Prepaids	137,035	16,050
	2,370,583	615,239
Equipment (Note 4)	84,880	115,695
Mineral properties (Note 5)	4,912	190,946
	$ 2,460,375	$ 921,880
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 15,060	$ 103,413
Current portion of obligation under capital lease (Note 7)	28,461	10,189
	43,521	113,602
Obligation under capital lease (Note 7)	-	28,461
	43,521	142,063
Shareholders' equity		
Capital stock (Note 8)	34,305,271	32,295,652
Contributed surplus (Note 8)	59,443	-
Deficit	(31,947,860)	(31,515,835)
	2,416,854	779,817
	$ 2,460,375	$ 921,880

Nature and continuance of operations (Note 1)
Commitment (Note 15)
Subsequent event (Note 16)
On behalf of the Board:

"Ian Rozier" Director "Barbara Dunfield" Director

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

NEWPORT EXPLORATION LTD.
STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED JULY 31

	2004	2003
EXPENSES		
Administrative services	$ 22,500	$ -
Amortization	30,815	33,987
Automobile	2,427	5,430
Consulting	111,119	226,661
Interest	2,636	3,417
Investor relations	-	55,472
Management fees	38,000	60,000
Office and miscellaneous	15,682	14,207
Professional fees	21,160	47,080
Property investigation	-	21,089
Regulatory fees	24,818	17,003
Rent and telephone	22,500	50,624
Shareholder information	11,616	17,818
Travel and related costs	37,039	89,132
Loss before other items	(340,312)	(641,920)
OTHER ITEMS		
Other income	1,318	2,723
Interest income	26,428	11,693
Write-down of marketable securities (Note 3)	(6,344)	(2,223)
Write-off of mineral properties (Note 5)	(163,950)	-
Write-off of deferred exploration costs (Note 5)	(6,529)	-
Recovery of petroleum exploration costs (Note 6)	57,364	-
	(91,713)	12,193
Loss for the year	(432,025)	(629,727)
Deficit, beginning of year	(31,515,835)	(30,886,108)
Deficit, end of year	$ (31,947,860)	$ (31,515,835)
Basic and diluted loss per common share	$ (0.04)	$ (0.10)
Weighted average number of common shares outstanding	11,964,678	6,596,384

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

NEWPORT EXPLORATION LTD.
STATEMENTS OF CASH FLOWS
YEAR ENDED JULY 31

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (432,025)	$ (629,727)
Items not affecting cash:		
Amortization	30,815	33,987
Write-down of marketable securities	6,344	2,223
Write-off of mineral properties	163,950	-
Write-off of deferred exploration costs	6,529	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(1,368)	24,334
(Increase) decrease in prepaids	(120,985)	3,000
Increase in accounts payable and accrued liabilities	1,064	30,800
Net cash used in operating activities	(345,676)	(535,383)
CASH FLOWS FROM INVESTING ACTIVITIES		
Term deposits	(1,848,909)	-
Acquisition of capital assets	-	(11,037)
Mineral properties	(68,950)	(90,946)
Deferred exploration costs	(4,912)	-
Net cash used in investing activities	(1,922,771)	(101,983)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock, net of finders fees	2,069,062	450,000
Repayment of capital lease obligations	(10,189)	(9,409)
Net cash provided by financing activities	2,058,873	440,591
Decrease in cash and equivalents during the year	(209,574)	(196,775)
Cash and equivalents, beginning of year	573,609	770,384
Cash and equivalents, end of year	$ 364,035	$ 573,609

Supplemental disclosure with respect to cash flows (Note 11)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Newport Exploration Ltd. (the "Company") is a Canadian company incorporated under the laws of the Province of British Columbia. The Company is primarily engaged in the acquisition and exploration of resource properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	2004	2003
Working capital	$ 2,327,062	$ 501,637
Deficit	(31,947,860)	(31,515,835)

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Cash and equivalents

The Company considers all investments with a maturity of three months or less to be cash equivalents.

Term deposits

Term deposits consists of liquid investments with a maturity greater than three months.

Marketable securities

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

Realized gains and losses on sale of securities are determined based on the specific cost basis.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equipment

Equipment is carried at cost less accumulated amortization. Amortization is recorded on the declining balance basis, unless otherwise stated, at the following annual rates:

Automotive equipment under capital lease	30%
Computer equipment	30%
Furniture and fixtures	20%
Leasehold improvements	straight-line over lease term

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the assigned value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Deferred exploration costs

The Company defers all exploration costs relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. These costs will be amortized over the proven and probable reserves available on the related property following commencement of production.

Values

The amounts shown for mineral properties and for deferred exploration costs represent costs incurred to date and do not necessarily represent present or future values.

Cost of maintaining mineral properties

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

Environmental protection and reclamation costs

Liabilities related to environmental protection and rehabilitation costs are accrued and charged to income when their likelihood of occurrence is established. This includes future removal and site restoration costs as required due to environmental law or contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 in effect 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 or losses arising on translation are included in the statement of operations.

Stock-based compensation plans

Effective August 1, 2002, the Company adopted the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", which recommends that stock options granted to employees and non-employees be accounted for at fair value. This section also permits, and the Company adopted, the use of the intrinsic value-based method for valuing stock options granted to employees. Under this method, compensation cost for options granted to employees is recognized only when the market price exceeds the exercise price at date of grant. However, pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted is required.

Effective August 1, 2003, the Company adopted, on a prospective basis, the fair value based method of accounting for all stock-based compensation.

Income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, 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.

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 period. For the years presented, this calculation proved to be anti-dilutive.

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. MARKETABLE SECURITIES

Marketable securities are comprised of the following:

	2004	2003
Cost	$ 22,542	$ 22,542
Market value	$ 13,975	$ 20,319

During the current year marketable securities were written-down by $6,344 (2003 - $2,223) to reflect market value.

4. EQUIPMENT

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Automotive equipment under capital lease	$ 116,851	$ 105,165	$ 11,686	$ 116,851	$ 100,158	$ 16,693
Computer equipment	37,067	26,123	10,944	37,067	21,432	15,635
Furniture and fixtures	21,758	13,827	7,931	21,758	11,844	9,914
Leasehold improvements	95,671	41,352	54,319	95,671	22,218	73,453
	$ 271,347	$ 186,467	$ 84,880	$ 271,347	$ 155,652	$ 115,695

Included in automotive equipment is $116,851 (2003 - $116,851) of automotive equipment under capital lease with a net book value of $11,686. Amortization of the capitalized lease is combined with total amortization.

5. 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 conveyancing 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 are in good standing.

5. MINERAL PROPERTIES (cont'd…)

	2004				2003
	Mantua Copper Project, Cuba	Franco Gold Project, Mexico	Mulga Tank Nickel Project, Australia	Total	Mantua Copper Project, Cuba
Acquisition costs					
Balance, beginning of year	$ 100,000	$ -	$ -	$ 100,000	$ -
Acquisition costs	-	63,950	-	63,950	100,000
Written-off	(100,000)	(63,950)	-	(163,950)	-
Balance, end of year	-	-	-	-	100,000
Deferred exploration costs					
Balance, beginning of year	90,946	-	-	90,946	-
Administrative fees	-	-	-	-	27,494
Consulting	-	-	-	-	1,529
Geological	-	5,000	4,912	9,912	-
Office and miscellaneous	-	-	-	-	18,241
Rent	-	-	-	-	14,293
Repair and maintenance	-	-	-	-	4,484
Salaries	-	-	-	-	21,028
Travel	-	-	-	-	3,877
Recovery of costs	(89,417)	-	-	(89,417)	-
Written-off	(1,529)	(5,000)	-	(6,529)	-
Balance, end of year	-	-	4,912	4,912	90,946
Total	$ -	$ -	$ 4,912	$ 4,912	$ 190,946

Mantua Copper Project, Cuba

During the year ended July 31, 2003, the Company entered into an option agreement to acquire an undivided 50% interest in the Mantua Copper Project (the "Project") in Cuba from Northern Orion Explorations Ltd. ("Northern Orion"). Upon exercise of the option, the Company would have acquired 100% of the issued and outstanding shares of Minera Mantua Inc., a wholly owned subsidiary of Northern Orion which owns a 50% interest in the Project. As consideration for the option, the Company issued to Northern Orion 400,000 common shares at an agreed value of $100,000.

During the year ended July 31, 2004, the Company decided to abandon this property and all costs were written-off to operations, of which $89,417 was recorded as a recovery of costs.

5. MINERAL PROPERTIES (cont'd…)

Franco Gold Project, Mexico

During the year ended July 31, 2004, the Company entered into an agreement with Cardero Resources Ltd. ("Cardero"), to acquire a 50% interest in the Franco Gold Project ("Franco") located in San Luis Potosi, Mexico. The Company paid $63,950 (US$50,000) upon signing the agreement. The Company was also required to incur US$250,000 in exploration expenditures on or before August 3, 2004, of which $128,035 (US$100,000) has been paid and recorded in prepaids, and make payments of US$80,000 to the underlying optioner of Franco by September 3, 2004. The property was subject to a 2% net smelter royalty.

Subsequent to July 31, 2004, the Company decided to abandon this property and $68,950 was written-off to operations in the year ended July 31, 2004.

The Company also subsequently received a refund of prepaid exploration expenditures of $128,035.

Mulga Tank Nickel Project, Australia

During the year ended July 31, 2004, the Company incurred certain geological costs in relation to Mulga Tank (Note 16).

6. RECOVERY OF PETROLEUM EXPLORATION COSTS

The Company previously entered into an agreement with Tri-Valley Oil and Gas Co. ("TVOG") in the year ended July 31, 1999 pursuant to which the Company would acquire a 5.81% working interest in the initial well to be drilled on the Ekho Project oil and gas property (the "Ekho Project") in the San Joaquin Valley, Kern County, California. In consideration, the Company was to fund 6.64% of TVOG's property acquisition and work program costs, including drilling the initial well.

In the year ended July 31, 2000, the Company decided not to participate in the Ekho Project and accordingly, $1,604,986 was written off to operations.

During the year ended July 31, 2004, TVOG paid the Company an advanced abandonment cost of $57,364 (US $41,564) in consideration that the Company terminate all terms of the agreement and thereupon will have no rights or obligations under the agreement. TVOG also granted the Company a 0.7231% overriding royalty participation on the property.

7. OBLIGATION UNDER CAPITAL LEASE

	2004	2003
Total minimum lease payments	$ 31,097	$ 41,286
Amount representing interest	(2,636)	(2,636)
Balance of obligation	28,461	38,650
Less: current portion	(28,461)	(10,189)
	$ -	$ 28,461

7. OBLIGATION UNDER CAPITAL LEASE (cont'd…)

The capital lease is for a corporate vehicle for use by a director of the Company.

8. CAPITAL STOCK

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
100,000,000 common shares without par value			
Issued			
As at July 31, 2002	6,278,850	$ 31,745,652	$ -
Private placement	1,500,000	450,000	-
Acquisition of mineral property	400,000	100,000	-
As at July 31, 2003	8,178,850	32,295,652	-
Private placement	5,549,000	1,942,150	59,443
Exercise of warrants	800,000	200,000	-
Finders' fees	-	(132,531)	-
Fractional shares upon 2002 consolidation	24	-	-
As at July 31, 2004	14,527,874	$ 34,305,271	$ 59,443

On December 16, 2003, the Company issued 5,549,000 units for proceeds of $1,942,150 pursuant to a private placement. Each unit was comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of $0.40 until December 16, 2004 and $0.45 until December 16, 2005. The finders' fees include the Company paying $73,088 and issuing 292,400 warrants exercisable into additional common shares at $0.40 until December 16, 2004 and at $0.45 until December 16, 2005. The finders' warrants have been recorded at a fair value of $59,443, which is included in contributed surplus.

9. STOCK OPTIONS AND WARRANTS

Stock options

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, minimum price or a discounted price, of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

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

Stock options (cont'd…)

At July 31, 2004, the Company had outstanding stock options, enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
200,000	$ 0.35	January 29, 2005

Stock option transactions and the number of share options outstanding are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, July 31, 2002	745,000	$	0.23
Options granted	200,000		0.35
Balance, July 31, 2003	945,000		0.25
Options cancelled/expired	(745,000)		0.23
Balance, July 31, 2004	200,000	$	0.35
Number of options currently exercisable	200,000	$	0.35

Stock-based compensation

The Company granted 200,000 stock options during the year ended July 31, 2003 with a weighted average fair value of $0.19 per share. There were no stock options granted during the year ended July 31, 2004.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and warrants granted:

	2004	2003
Risk-free interest rate	3.43%	3.00%
Expected life of options	1 year	2 years
Annualized volatility	107.0%	11.9%
Dividend rate	0.00%	0.00%

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

Stock-based compensation (cont'd…)

During the year ended July 31, 2003, the Company elected to measure compensation costs using the intrinsic value-based method for employee stock options. Under this method, no compensation expense is recognized when stock options are issued, as the exercise price of each option equals the minimum of the market value at the date immediately preceding the grant. Had the compensation costs been determined based on the fair value of the options at the grant date using the Black-Scholes option-pricing model, additional compensation expense would have been recorded in the statement of operations for the year, with pro forma results as presented below:

		2003
Loss for the year as reported	$	(629,727)
Compensation expense under Section 3870		(25,678)
Pro-forma net loss for the year	$	(655,405)
Pro-forma basic and diluted loss per share	$	(0.10)

During the year ended July 31, 2003, due to the illiquidity of the Company's shares, a block discount of 40% ($17,119) was applied resulting in a pro-forma stock based compensation expense of $25,678.

Warrants

At July 31, 2004, the Company had outstanding share purchase warrants, enabling holders to acquire shares as follows:

Number of Shares		Exercise Price	Expiry Date
1,500,000		$ 0.35	July 8, 2005
5,841,400		0.40	December 16, 2004
	If unexercised, then at	0.45	December 16, 2005

Warrant transactions and the number of warrants outstanding are summarized as follows:

		Number of Options		Exercise Price
Balance, July 31, 2002		2,000,000		
Warrants granted		1,500,000	$	0.35
Balance, July 31, 2003		3,500,000		
Warrants granted		5,841,400		0.40
	If unexercised, then at			0.45
Warrants exercised		(800,000)		0.25
Warrants cancelled/expired		(200,000)		0.25
Warrants cancelled/expired		(1,000,000)		0.60
Balance, July 31, 2004		7,341,400		

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $82,000 (2003 - $120,000) to a company controlled by a director.

b) Paid or accrued management fees of $38,000 (2003 - $60,000) to a company controlled by a director.

c) Paid or accrued rent of $22,500 (2003 - $36,710) to a company controlled by a director.

Included in prepaids at July 31, 2004 is $9,000 (2003 - $Nil) for consulting fees and management fees to companies controlled by directors of the Company.

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.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2004	2003
Cash paid during the year for interest	$ 2,636	$ 3,417
Cash paid during the year for income taxes	$ -	$ -

Significant non-cash transactions for the year ended July 31, 2004 include a reduction of accounts payable by $89,417 in conjunction with a write-off of mineral properties (Note 5).

During the year ended July 31, 2003, the Company issued 400,000 common shares at a value of $100,000 for the acquisition of a mineral property (Note 5).

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, term deposits, marketable securities, receivables, accounts payable and accrued liabilities and obligation under capital lease. 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 values, unless otherwise noted.

13. INCOME TAXES

a) A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2004	2003
Loss before income tax recovery	$ (432,025)	$ (629,727)
Expected tax recovery	$ (153,801)	$ (236,777)
Write-off of mineral properties and deferred exploration costs	60,690	-
Other	8,025	13,615
Unrecognized benefits of non-capital losses	85,086	223,162
Total income tax recovery	$ -	$ -

b) Details of future income tax assets are as follows:

	2004	2003
Future tax assets:		
Equipment	$ 66,366	$ 54,000
Resource deductions	332,743	238,000
Share issuance costs	20,815	-
Non-capital loss carryforwards	1,235,086	1,275,000
	1,655,010	1,567,000
Valuation allowance	(1,655,010)	(1,567,000)
Net future tax assets	$ -	$ -

The Company has non-capital losses of approximately $3,469,000 which may be carried forward and applied against taxable income in future years. These losses, if unutilized, will expire through 2014. Subject to certain restrictions, the Company has further resource development and exploration expenditures totalling approximately $934,000 available to reduce taxable income of future years. The benefit of these losses and resource deductions has not been reflected in these financial statements and has been offset by a valuation allowance.

14. SEGMENTED INFORMATION

The Company has one reportable operating segment, the acquisition and exploration of mineral properties. Geographical information is as follows:

	Canada	Cuba	Mexico	Australia	Total
2004					
Current assets	$2,242,548	$ -	$ 128,035	$ -	$2,370,583
Equipment	84,880	-	-		84,880
Mineral properties and deferred exploration costs	-	-	-	4,912	4,912
	$2,327,428	$ -	$ 128,035	$ 4,912	$2,460,375
Loss for the year	$ 261,546	$ 101,529	$ 68,950	$ -	$ 432,025

	Canada	Cuba	Total
2003			
Current assets	$ 615,239	$ -	$ 615,239
Equipment	115,695	-	115,695
Mineral properties and deferred exploration costs	-	190,946	190,946
	$ 730,934	$ 190,946	$ 921,880
Loss for the year	$ 629,727	$ -	$ 629,727

15. COMMITMENT

The Company has an obligation under operating lease for its premises. The annual lease commitments under this lease are as follows:

2005	$ 18,000
2006	18,000
2007	18,000
	$ 54,000

16. SUBSEQUENT EVENT

Unless disclosed elsewhere, the following event occurred subsequent to July 31, 2004:

The Company entered into an agreement with King Eagle Resources Pty Limited ("King Eagle") to acquire an 80% interest in an exploration license and a 75% interest in an application exploration license, collectively known as the Mulga Tank Nickel Project ("Mulga Tank") located in Western Australia. The Company is obligated to make a payment of $30,000 (paid) upon signing the option agreement and an additional $30,000 (paid) and issue 150,000 common shares (issued) upon closing the option agreement. The Company is also required to make staged payments totalling $540,000, issue 2,100,000 common shares and incur expenditures of $2,500,000 by September 2, 2007 as follows:

i) in year 1, pay $60,000, issue 300,000 common shares and incur expenditures of $250,000.
ii) in year 2, pay $90,000, issue 450,000 common shares and incur expenditures of $500,000.
iii) in year 3, pay $150,000, issue 600,000 common shares and incur expenditures of $750,000.
iv) in year 4, pay $240,000, issue 750,000 common shares and incur expenditures of $1,000,000.

Should Mulga Tank be placed in commercial production, a further 1,000,000 common shares will be issued to King Eagle.