NEWPORT EXPLORATION LTD.

FINANCIAL STATEMENTS

OCTOBER 31, 2004
(prepared by management without audit)

NEWPORT EXPLORATION LTD.

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.

NEWPORT EXPLORATION LTD.
BALANCE SHEETS
(unaudited – prepared by management)

	Oct 31, 2004	Jul 31, 2004
ASSETS		
Current		
Cash and equivalents	$ 189,236	$ 364,035
Term deposits	1,859,676	1,848,909
Marketable securities (Note 3)	13,975	13,975
Receivables	10,122	6,629
Prepaids	151,383	137,035
	2,224,392	2,370,583
Equipment (Note 4)	78,002	84,880
Mineral properties (Note 5)	190,241	4,912
	2,492,635	$ 2,460,375
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 86,553	$ 15,060
Current portion of obligation under capital lease (Note 6)	25,751	28,461
	112,304	43,521
Shareholders' equity		
Capital stock (Note 7)	34,323,271	34,305,271
Contributed surplus (Note 7)	59,443	59,443
Deficit	(32,002,383)	(31,947,860)
	2,380,331	2,416,854
	$ 2,492,635	$ 2,460,375

Nature and continuance of operations (Note 1)
Commitment (Note 14)

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
For the Three Months Ended October 31, 2004
(unaudited – prepared by management)

	2004	2003
EXPENSES		
Administrative services	$ 7,500	$ -
Amortization	6,878	6,926
Consulting	20,640	25,157
Management fees	9,000	11,000
Office and miscellaneous	7,935	2,378
Professional fees	2,400	301
Regulatory fees	1,068	254
Rent	6,000	9,000
Shareholder information	6,597	512
Travel and related costs	1,108	10,017
Loss before other items	(69,126)	(65,545)
OTHER ITEMS		
Interest income	11,015	1,159
Write-down of marketable securities (Note 3)	-	(5,503)
Recovery of petroleum exploration costs	3,588	-
	14,603	(4,344)
Loss for the period	(54,523)	(69,889)
Deficit, beginning of period	(31,947,860)	(31,515,835)
Deficit, end of period	$ (32,002,383)	$ (31,585,724)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	14,627,331	8,178,850

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

NEWPORT EXPLORATION LTD.
STATEMENTS OF CASH FLOWS
For the Three Months Ended October 31, 2004
(unaudited – prepared by management)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (54,523)	$ (69,889)
Items not affecting cash:		
Amortization	6,878	6,926
Write-down of marketable securities	-	5,503
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(3,493)	1,036
(Increase) decrease in prepaids	(14,348)	6,420
Increase (decrease) in accounts payable and accrued liabilities	71,493	(2,523)
Net cash used in operating activities	6,007	(52,527)
CASH FLOWS FROM INVESTING ACTIVITIES		
Term deposits	(10,767)	-
Mineral properties	(60,000)	-
Deferred exploration costs	(107,329)	-
Net cash used in investing activities	(178,096)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(2,710)	(2,475)
Net cash provided by financing activities	(2,710)	(2,475)
Decrease in cash and equivalents during the period	(174,799)	(55,002)
Cash and equivalents, beginning of period	364,035	573,609
Cash and equivalents, end of period	$ 189,236	$ 518,607

Supplemental disclosure with respect to cash flows (Note 10)

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.

	Oct 31, 2004	Jul 31, 2004
Working capital	$ 2,112,088	$ 2,327,062
Deficit	(32,002,383)	(31,947,860)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the three month period ended October 31, 2004 are not necessarily indicative of the results that may be expected for the year ending July 31, 2005. These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and follow the same accounting policies as the annual financial statements. Accordingly, these financial statements should be read in conjunction with the 2004 annual financial statements and notes thereto.

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.

3. MARKETABLE SECURITIES

Marketable securities are comprised of the following:

		Oct 31, 2004		Jul 31, 2004
Cost	$	22,542	$	22,542
Market value	$	13,975	$	13,975

During the current period marketable securities were written-down by $Nil (2003 - $5,503) to reflect market value.

4. EQUIPMENT

	October 31, 2003			July 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Automotive equipment under capital lease	$ 116,851	$ 106,041	$ 10,810	$ 116,851	$ 105,165	$ 11,686
Computer equipment	37,067	26,944	10,123	37,067	26,123	10,944
Furniture and fixtures	21,758	14,224	7,534	21,758	13,827	7,931
Leasehold improvements	95,671	46,136	49,535	95,671	41,352	54,319
	$ 271,347	$ 193,345	$ 78,002	$ 271,347	$ 186,467	$ 84,880

Included in automotive equipment is $116,851 (2003 - $116,851) of automotive equipment under capital lease with a net book value of $10,810. 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…)

	October 31, 2004	July 31, 2004
	Mulga Tank Nickel Project, Australia	Mulga Tank Project, Australia
Acquisition costs		
Balance, beginning of period	$ -	$ -
Acquisition costs	78,000	-
Balance, end of period	78,000	-
Deferred exploration costs		
Balance, beginning of period	4,912	-
Claim costs	7,889	-
Consulting	12,200	-
Geological	69,199	4,912
Field administration	7,571	-
Travel and related costs	10,470	-
Balance, end of period	112,241	4,912
Total	$ 190,241	$ 4,912

5. MINERAL PROPERTIES (cont'd…)

Franco Gold Project, Mexico

During the previous year, the Company entered into an agreement with Cardero Resource Corporation ("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 October 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

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.

6. OBLIGATION UNDER CAPITAL LEASE

	Oct 31, 2004	Jul 31, 2004
Total minimum lease payments	$ 28,461	$ 31,097
Amount representing interest	(2,710)	(2,636)
Balance of obligation	25,751	28,461
Less: current portion	(25,751)	(28,461)
	$ -	$ -

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

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

7. CAPITAL STOCK

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
100,000,000 common shares without par value			
Issued			
As at July 31, 2004	14,527,874	$ 34,305,271	$ 59,443
Acquisition of mineral property	150,000	18,000	-
As at October 31, 2004	14,677,874	$ 34,323,271	$ 59,443

8. 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.

At October 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 and October 31, 2004	200,000	$ 0.35
Number of options currently exercisable	200,000	$ 0.35

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

Warrants

At October 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

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $18,000 (2003 - $22,000) to a company controlled by a director.

b) Paid or accrued management fees of $9,000 (2003 - $11,000) to a company controlled by a director.

c) Paid or accrued rent of $6,000 (2003 - $9,000) to a company controlled by a director.

Included in prepaids at October 31, 2004 is $9,000 (2003 - $9,000) 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.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2004	2003
Cash paid during the year for interest	$ 2,710	$ 2,437

Significant non-cash transactions for the period ended October 31, 2004 include the issuance of 150,000 common shares at a value of $18,000 for the acquisition of a mineral property (Note 5).

11. 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.

12. SEGMENTED INFORMATION

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

	Canada	Australia	Total
October 31, 2004			
Current assets	$2,220,107	$ 4,285	$2,224,392
Equipment	78,002	-	78,002
Mineral properties and deferred exploration costs	-	190,241	190,241
	$2,298,109	$ 194,526	$2,492,635
Loss for the period ended October 31, 2004	$ 54,523	$ -	$ 54,523

	Canada	Cuba	Mexico	Australia	Total
July 31, 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 period ended October 31, 2003	$ 69,889	$ -	$ -	$ -	$ 69,889

13. COMMITMENT

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

2005	$ 24,000
2006	24,000
2007	24,000
	$ 72,000

The following discussion and analysis, prepared as of December 20, 2004, should be read together with the unaudited financial statements for the three month period ended October 31, 2004 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements for the year ended July 31, 2004 and 2003, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

Description of Business

The Company is a natural resource company engaged in acquisition, exploration, and development of mineral properties. It currently holds a property in Western Australia. The Company trades on the TSX Venture Exchange under the symbol NWX.

Performance Summary

The Company issued 150,000 common shares during the period in connection with the acquisition of the Mulga Tank project in Australia.

Mineral Properties

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 Agreement 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 Mt. 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.

On September 2, 2004 the Company announced that the TSX Venture Exchange (the "TSX") accepted for filing the Agreement dated May 25, 2004 for the Company's acquisition of an 80% interest in the Exploration License and a 75% interest in the Application License together known as the Mulga Tank Nickel Project from King Eagle Resources Pty Limited of Western Australia.

In November 2004 the Company reported that work was underway on the Mulga Tank and that geological and geophysical consultants had been contracted. The geological consultant engaged, Mr. Noel Sheppy of CSA Australia, has interpreted airborne magnetic data and a series of prospective zones have been identified that may have the potential to host high-grade nickel sulphide bodies within the larger disseminated dunite body. Typically in the Yilgarn, massive sulphide nickel deposits occur on the basal contact of ultramafics derived from a flow or ponding of mineralized fluids (Komatite model). This could be significant at Mulga Tank as initially the target was a low-grade disseminated deposit similar to Mt. Keith. The review of data suggests that it could be both a disseminated and high sulphide komatite deposit.

Further geophysics is planned and will include 3-dimensional induced polarization (3D-IP) to define both low and high sulphide zones within the dunite. This is a high-resolution survey with superior depth penetration and this exploration techniques is keenly sought after in Western Australia, and the next available survey crew cannot mobilize until early 2005. To expedite work on the property and further define targets a low level airborne magnetic survey has been designed (60M line spacing at 20m elevation totaling 900 line km) which will deliver ultra-high detailed magnetic, radiometric and digital terrain data. The geophysical contracting company UTS Geophysics can complete the work in December 2004. Data obtained will assist in modeling the geology, structures and defining discrete magnetic anomalies within the larger dunite magnetic target. Additionally the survey will enable focusing the proposed 3D-IP on well-defined magnetic targets reducing the scale and subsequent cost of the IP survey. Both low-level airborne magnetics and 3D-IP should generate walk up drill targets and the Company should be in a position to commence drilling in early 2005.

"By virtue of its size, anomalism and the exploration results to date, the Mulga Tank prospect has the potential to host a major nickel sulphide deposit and as such represents and excellent acquisition for Newport" stated Ian Rozier, President.

Mulga Tank nickel project will be the major focus of the Company going forward, and accordingly, the Company withdrew from its right to earn a 50% in the Franco Gold Project in Mexico. The Company is well funded to meet its obligations on the Mulga Tank for the first two years.

Selected Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements.

	Year Ended July 31, 2004	Year Ended July 31, 2003	Year Ended July 31, 2002
Total revenues	$ 27,746	$ 14,416	$ 19,512
Net loss	432,025	629,727	3,676,907
Basic and diluted loss per share	(0.04)	(0.10)	(0.76)
Total assets	2,434,492	921,880	980,215
Total long-term liabilities	-	28,461	38,650
Cash dividends	-	-	-

The Company earns interest revenue from cash held in banks and guaranteed investments held as short term investments. During the fiscal year ended 2002, the Company decided to write-off various petroleum and natural gas property claims and certain mineral property acquisition costs resulting in a decrease in total assets and an increase in net loss over the period. During the 2003 fiscal year end, the Company actively sought after new acquisitions. In 2004, the Company completed a $1.94 million private placement financing and acquired an option on a gold project in Mexico and a copper project in Cuba. At July 31, 2004, management of the Company decided to drop both options and accordingly all related costs were written-off to operations.

The Company's accounting policy is to record its mineral properties at cost. Exploration and development expenditures relating to mineral properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

Results of Operations

The Company incurred a loss of $54,523 (2003 - $69,889) during the period. Some of the significant expenses are as follows: paid or accrued $20,640 (2003 - $25,157) in consulting fees, $7,500 (2003 - $Nil) in administration fees, rent of $6,000 (2003 - $9,000), and management fees of $9,000 (2003 - $11,000).

The current period overall administration expenses were in line with the previous period ending October 31, 2003.

The Company also earned $11,015 (2003 - $1,159) from its cash and short term investments during the period.

Summary of Quarterly Results

	Three Months Ended October 31, 2004	Three Months Ended July 31, 2004	Three Months Ended April 30, 2004	Three Months Ended January 31, 2004
Total assets	$ 2,492,635	$ 2,460,375	$ 2,736,374	$ 2,650,050
Mineral properties and deferred costs	190,241	4,912	255,652	388,687
Working capital	2,112,088	2,327,062	2,147,806	2,049,681
Shareholders' equity	2,380,331	2,416,854	2,610,178	2,517,445
Revenues	14,603	10,710	8,361	7,516
Net Loss	(54,523)	(193,324)	(57,266)	(111,546)
Earnings (loss) per share	(0.01)	(0.02)	(0.01)	(0.01)

	Three Months Ended October 31, 2003	Three Months Ended July 31, 2003	Three Months Ended April 30, 2003	Three Months Ended January 31, 2003
Total assets	$ 846,994	$ 921,880	$ 495,504	$ 600,567
Mineral properties and deferred costs	190,946	190,946	101,529	1,529
Working capital	436,000	2,202,361	232,591	410,973
Shareholders' equity	709,928	779,817	452,312	538,986
Revenues	1,159	5,292	2,335	3,054
Net Income (loss)	(69,889)	(443,053)	(186,674)	(169,262)
Earnings (loss) per share	(0.01)	(0.07)	(0.03)	(0.03)

Significant changes in key financial data from 2004 to 2003 can be attributed to the closing of its $1.94 million private placement during 2003. Also in 2004 the Company wrote down certain costs associated to the option on the Cuba Copper project and Mexican Gold project.

Liquidity

The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able 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.

	October 31, 2004	July 31, 2004
Working capital	$ 2,112,088	$ 2,327,062
Deficit	(32,002,383)	(31,947,860)

Net cash provided by operating activities for the three month period ended October 31, 2004 was $6,007 compared to net cash used of $52,527 during the three month period ended October 31, 2003. The cash used in operating activities for the periods consist primarily of the operating loss. There was also a significant increase in accounts payable in the current period and this is a result of certain accruals regarding the Mulga Tank nickel property.

Net cash used in investing activities for the three month period ended October 31, 2004 was $178,096 compared to net cash used in investing activities of $Nil during the three month period ended October 31, 2003. Cash used during the current period consists primarily of exploration expenditures and acquisition costs on the Company's mineral property in Australia.

Financing activities used cash of $2,710 during the three month period ended October 31, 2004, compared to $2,475 for the three month period ended October 31, 2003. Cash used during the periods consisted of the repayment on the Company's capital lease.

Capital Resources

The Company has sufficient funds to meet its property exploration commitments for 2004 and cover anticipated administrative expenses throughout the year. It will continue to focus exploration and development efforts in Western Australia.

Related Party Transactions

The Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $18,000 (2003 - $22,000) to a company controlled by a director.

b) Paid or accrued management fees of $9,000 (2003 - $11,000) to a company controlled by a director.

c) Paid or accrued rent of $6,000 (2003 - $9,000) to a company controlled by a director.

Included in prepaids at October 31, 2004 is $9,000 (2003 - $9,000) 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.

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

Financial Instruments

The Company's financial instruments consist of cash, receivables and accounts payable. 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.