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**GOLDEN PEAKS RESOURCES LTD.**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

JULY 31, 2004

*(Unaudited - Prepared by Management)*

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## **MANAGEMENT'S COMMENTS ON UNAUDITED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Golden Peaks Resources Ltd. for the three months ended July 31, 2004, have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

**GOLDEN PEAKS RESOURCES LTD.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
*(Unaudited - Prepared by Management)*

	<b>July 31, 2004 \$</b>	<b>April 30, 2004 \$ <i>(Audited)</i></b>
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	4,278,858	4,528,822
Amounts receivable and prepaids (Note 6)	75,967	63,085
Marketable securities (Note 3)	<u>35,423</u>	<u>35,423</u>
	4,390,248	4,627,330
<b>EQUIPMENT</b>		
	17,732	19,739
<b>MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (Note 4)</b>		
	<u>1,813,306</u>	<u>1,678,473</u>
	<u><u>6,221,286</u></u>	<u><u>6,325,542</u></u>
<b>L I A B I L I T I E S</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>27,157</u>	<u>56,369</u>
<b>S H A R E H O L D E R S '   E Q U I T Y</b>		
<b>SHARE CAPITAL (Note 5)</b>	13,014,416	13,014,416
<b>CONTRIBUTED SURPLUS</b>	231,485	231,485
<b>DEFICIT</b>	<u>(7,051,772)</u>	<u>(6,976,728)</u>
	<u>6,194,129</u>	<u>6,269,173</u>
	<u><u>6,221,286</u></u>	<u><u>6,325,542</u></u>

APPROVED BY THE BOARD

"Kieran Downes" , Director

"Nick DeMare" , Director

*The accompanying notes form an integral part of these interim consolidated financial statements.*

**GOLDEN PEAKS RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**  
**FOR THE THREE MONTHS ENDED JULY 31**  
*(Unaudited - Prepared by Management)*

	2004 \$	2003 \$
<b>EXPENSES</b>		
Accounting and administration	1,075	3,420
Amortization	1,147	2,138
Filing fees and transfer agent	962	1,111
Investment conference	6,727	-
Legal	673	338
Management fees	22,500	15,000
Office and general	5,412	7,673
Office rent	4,896	6,047
Professional fees	30,000	-
Shareholder communications	1,705	2,373
Salaries and benefits	14,262	14,372
Travel and related costs	1,403	244
	<u>90,762</u>	<u>52,716</u>
<b>LOSS BEFORE THE FOLLOWING</b>	(90,762)	(52,716)
<b>INTEREST AND OTHER INCOME</b>	20,428	8,383
<b>PROVISION ON MARKETABLE SECURITIES</b>	-	(4,167)
<b>FOREIGN EXCHANGE GAIN (LOSS)</b>	<u>(4,710)</u>	<u>(5,820)</u>
<b>LOSS FOR THE PERIOD</b>	(75,044)	(54,320)
<b>DEFICIT - BEGINNING OF PERIOD</b>	<u>(6,976,728)</u>	<u>(3,658,662)</u>
<b>DEFICIT - END OF PERIOD</b>	<u><u>(7,051,772)</u></u>	<u><u>(3,712,982)</u></u>
 <b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>	 <u><u>\$(0.00)</u></u>	 <u><u>\$(0.00)</u></u>
 <b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	 <u><u>20,019,944</u></u>	 <u><u>15,829,946</u></u>

*The accompanying notes form an integral part of these interim consolidated financial statements.*

**GOLDEN PEAKS RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED JULY 31**  
*(Unaudited - Prepared by Management)*

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED FROM (USED FOR)</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(75,044)	(54,320)
Items not involving cash		
Amortization	1,147	2,138
Provision on marketable securities	-	4,167
	<u>(73,897)</u>	<u>(48,015)</u>
Increase in amounts receivable and prepaids	(12,882)	(9,183)
Decrease in accounts payable and accrued liabilities	(29,212)	(13,034)
	<u>(115,991)</u>	<u>(70,232)</u>
<b>INVESTING ACTIVITIES</b>		
Expenditures on mineral properties and deferred exploration costs	(133,973)	(135,460)
Equipment purchases	-	(2,016)
	<u>(133,973)</u>	<u>(137,476)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD</b>		
	(249,964)	(207,708)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<u>4,528,822</u>	<u>1,526,546</u>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u><u>4,278,858</u></u>	<u><u>1,318,838</u></u>
<b>CASH AND CASH EQUIVALENTS COMPRISED OF:</b>		
Cash	113,213	411,716
Term deposits	4,165,645	907,122
	<u><u>4,278,858</u></u>	<u><u>1,318,838</u></u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest paid in cash	<u>-</u>	<u>-</u>
Income taxes paid in cash	<u>-</u>	<u>-</u>

*The accompanying notes form an integral part of these interim consolidated financial statements.*

**GOLDEN PEAKS RESOURCES LTD.**  
**INTERIM CONSOLIDATED SCHEDULE OF DEFERRED EXPLORATION COSTS**  
**FOR THE THREE MONTHS ENDED JULY 31**  
*(Unaudited - Prepared by Management)*

	2004					2003	
	Sierra de las Minas \$	Tanque Negro \$	La Fortuna \$	Nik \$	Others \$	Total \$	Total \$
<b>BALANCE - BEGINNING OF PERIOD</b>	<u>524,202</u>	<u>379,857</u>	<u>75,600</u>	<u>152,402</u>	<u>47,410</u>	<u>1,179,471</u>	<u>3,335,406</u>
<b>EXPENDITURES DURING THE PERIOD</b>							
Accounting and audit	-	1,002	1,001	1,366	1,002	4,371	5,185
Airfares and travel	-	3,239	17,591	468	45	21,343	19,609
Amortization	-	-	-	860	-	860	724
Assaying	-	-	3,557	-	-	3,557	7,816
Communications	-	-	-	27	-	27	1,332
Equipment and supplies	-	-	-	-	-	-	2,553
Field personnel and supervision	-	6,981	13,605	14,165	13,605	48,356	63,363
Geochemistry	-	-	-	-	-	-	2,067
IVA refundable tax	-	-	1,671	811	-	2,482	1,697
Satellite imaging	-	-	-	-	-	-	4,792
Land management	-	-	-	-	-	-	4,409
Legal	-	656	657	2,094	656	4,063	-
Maps, logs and related costs	-	638	636	485	638	2,397	4,656
Project management	-	-	-	-	-	-	7,500
Transportation	-	-	-	-	-	-	10,481
	<u>524,202</u>	<u>12,516</u>	<u>38,718</u>	<u>20,276</u>	<u>15,946</u>	<u>87,456</u>	<u>136,184</u>
<b>BALANCE - END OF PERIOD</b>	<u><u>524,202</u></u>	<u><u>392,373</u></u>	<u><u>114,318</u></u>	<u><u>172,678</u></u>	<u><u>63,356</u></u>	<u><u>1,266,927</u></u>	<u><u>3,471,590</u></u>

*The accompanying notes form an integral part of these interim consolidated financial statements.*

**GOLDEN PEAKS RESOURCES LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2004**  
*(Unaudited - Prepared by Management)*

**1. NATURE OF OPERATIONS**

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties and related deferred costs is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as mineral properties and deferred exploration costs represent net costs to date, less amounts written off, and do not necessarily represent present or future values.

Management considers that the Company has adequate resources to maintain its core operations and planned exploration programs for the 2005 fiscal year. However, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual financial statements.

**3. MARKETABLE SECURITIES**

	<u>As at July 31, 2004</u>		<u>As at April 30, 2004</u>	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Resources Investment Trust PLC	<u>19,999</u>	<u>35,423</u>	<u>19,999</u>	<u>35,423</u>

As at July 31, 2004, the quoted market value of the Resources Investment Trust PLC shares was \$48,880.

**GOLDEN PEAKS RESOURCES LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2004**  
*(Unaudited - Prepared by Management)*

**4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**

	July 31, 2004			April 30, 2004		
	Mineral Property	Deferred Exploration Costs <i>(see schedule)</i>	Total Costs	Mineral Property	Deferred Exploration Costs	Total Costs
	\$	\$	\$	\$	\$	\$
Sierra de las Minas	475,798	524,202	1,000,000	475,798	524,202	1,000,000
Tanque Negro	-	392,373	392,373	-	379,857	379,857
La Fortuna	57,216	114,318	171,534	20,473	75,600	96,073
Nik	-	172,678	172,678	-	152,402	152,402
Others	13,365	63,356	76,721	2,731	47,410	50,141
	<u>546,379</u>	<u>1,266,927</u>	<u>1,813,306</u>	<u>499,002</u>	<u>1,179,471</u>	<u>1,678,473</u>

(a) *Sierra de las Minas Project*

The Company and Mitsubishi Materials Corp. ("Mitsubishi") currently hold 56.33% and 43.67% joint venture interests, respectively, in a group of exploration properties, located in Northwest Argentina, known collectively as the Sierra de las Minas Project. The Sierra de las Minas Project covers approximately 14,986 hectares and consists of 26 properties.

In February 2003, the Company received notice from Mitsubishi that it was divesting itself of all junior exploration projects. On April 15, 2004, the Company entered into an agreement with Mitsubishi whereby the Company could acquire a 100% undivided interest in the Corral 1 and Corral Nuevo claims (2,660 hectares) forming part of the Sierra de las Minas Project. Under the terms of the agreement the Company is required to expend US \$100,000 on exploration by April 1, 2006.

No exploration was conducted on the Sierra de las Minas Project during the three months ended July 31, 2004.

(b) *Tanque Negro Project*

In February 2003, the Company entered into an option agreement to acquire up to 100% of the Tanque Negro Property from Rio Tinto Mining and Exploration Ltd ("Rio Tinto"). The Tanque Negro Property covers 1,600 hectares and is located in the province of Rio Negro, Argentina. The Company may acquire an initial 70% interest in the property by expending US \$1 million on exploration and making option payments totalling US \$70,000, as follows:

<u>Date</u>	<u>Option Payments</u> US \$	<u>Work Expenditures</u> US \$
September 13, 2003	-	100,000 (incurred)
September 13, 2004	-	200,000 (incurred as of September 13, 2004)
September 13, 2005	30,000	300,000
September 13, 2006	<u>40,000</u>	<u>400,000</u>
	<u>70,000</u>	<u>1,000,000</u>

**GOLDEN PEAKS RESOURCES LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2004**  
*(Unaudited - Prepared by Management)*

**4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)**

Upon earning the initial 70% interest, the Company may elect to earn a 100% interest in the property by completing a bankable feasibility study over three years, or may elect to fund its 70% share of a joint venture with Rio Tinto. If the Company acquires a 100% interest in the property, Rio Tinto will retain a 2% net smelter royalty, half of which can be purchased for US \$1 million within 90 days of the completion of the bankable feasibility study.

(c) *La Fortuna Property*

In January 2004, the Company entered into an option agreement to acquire a 100% interest in the La Fortuna Property, covering approximately 5,000 hectares, located in the province of Chubut, Argentina. The Company may acquire a 100% interest in the property by making option payments totalling US \$350,000 over three years as follows:

<u>Date</u>	<u>Option Payments</u> US \$
December 19, 2003	15,000 (paid)
June 19, 2004	15,000 (paid)
December 19, 2004	50,000
December 19, 2005	100,000
December 19, 2006	<u>170,000</u>
	<u><u>350,000</u></u>

The Company is also required to pay US \$1 per ounce of proven economically recoverable gold or silver equivalent to a maximum of US \$4 million. A minimum of US \$1 million is payable after 3.5 years. The remaining monies are payable if and when additional ounces of proven and economically recoverable gold or silver equivalent are identified.

(d) *Nik Claim*

The Nik Claim consists of one cateo acquired by the Company, comprising 2,900 hectares located in the province of La Rioja, Argentina.

**GOLDEN PEAKS RESOURCES LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2004**  
*(Unaudited - Prepared by Management)*

**5. SHARE CAPITAL**

Authorized - 100,000,000 common shares without par value

Issued -	<u>July 31, 2004</u>		<u>April 30, 2004</u>	
	Shares	\$	Shares	\$
Balance - beginning of period	<u>20,019,944</u>	<u>13,014,416</u>	<u>15,829,946</u>	<u>9,099,503</u>
Issued during the period				
For cash				
Private placement	-	-	4,189,998	4,189,998
Less share issue costs	-	-	-	(275,085)
	<u>-</u>	<u>-</u>	<u>4,189,998</u>	<u>3,914,913</u>
Balance - end of period	<u><u>20,019,944</u></u>	<u><u>13,014,416</u></u>	<u><u>20,019,944</u></u>	<u><u>13,014,416</u></u>

- (a) A summary of the Company's stock options at July 31, 2004 and the changes for the three months ended July 31, 2004 is presented below:

	<b>Options Outstanding</b>	<b>Weighted Average Exercise Price \$</b>
Balance, beginning and end of period	<u><u>625,000</u></u>	0.62

The following table summarizes information about the stock options outstanding and exercisable at July 31, 2004:

<b>Exercise Price \$</b>	<b>Options Outstanding</b>	<b>Expiry Date</b>
0.85	25,000	June 30, 2005
0.56	400,000	October 24, 2005
0.70	<u>200,000</u>	January 6, 2006
	<u><u>625,000</u></u>	

No stock options were granted by the Company during the three months ended July 31, 2004. See Note 8.

- (b) As at July 31, 2004, the Company had outstanding warrants issued pursuant to private placements, which may be exercised to purchase 5,751,728 shares. The warrants expire at various times until April 8, 2006 and may be exercised at prices ranging from \$0.69 per share to \$2.00 per share.

Details of warrants outstanding are as follows:

	<b>Warrants Outstanding</b>
Balance, beginning and end of period	<u><u>5,751,728</u></u>

**GOLDEN PEAKS RESOURCES LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2004**  
*(Unaudited - Prepared by Management)*

**5. SHARE CAPITAL** (continued)

The following table summarizes information about the warrants outstanding and exercisable at July 31, 2004:

Warrants Outstanding	Exercise Price	Expiry Date
208,000	\$1.50	December 24, 2004
625,000	\$1.50	February 8, 2005
459,480	\$2.00	March 28, 2005
64,000	\$0.69	April 3, 2005
<u>4,395,248</u>	\$1.25 / \$1.50	April 8, 2005 / April 8, 2006
<u>5,751,728</u>		

**6. RELATED PARTY TRANSACTIONS**

During the three months ended July 31, 2004 the Company was charged a total of \$44,575 (2003 - \$48,357) by companies controlled by directors and officers of the Company for accounting, administrative, management and project supervision.

**7. SEGMENTED INFORMATION**

Substantially all of the Company's operations are in one industry, the exploration for gold. Management reviews the financial results according to expenditures by property. The Company's current mineral properties are located in Argentina and its corporate assets are located in Canada.

	<u>July 31, 2004</u>		
	<u>Corporate</u> \$	<u>Mineral</u> <u>Operations</u> \$	<u>Consolidated</u> \$
Identifiable assets			
Current assets	4,329,229	61,019	4,390,248
Equipment	10,708	7,024	17,732
Mineral properties and deferred exploration costs	-	1,813,306	1,813,306
	<u>4,339,937</u>	<u>1,881,349</u>	<u>6,221,286</u>
Mineral property and deferred exploration costs additions	<u>-</u>	<u>134,833</u>	<u>134,833</u>

**GOLDEN PEAKS RESOURCES LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED JULY 31, 2004**  
*(Unaudited - Prepared by Management)*

**7. SEGMENTED INFORMATION** (continued)

	<b>April 30, 2004</b>		
	<b>Corporate</b>	<b>Mineral</b>	<b>Consolidated</b>
	<b>\$</b>	<b>Operations</b>	<b>\$</b>
		<b>\$</b>	
Identifiable assets			
Current assets	4,589,562	37,768	4,627,330
Equipment	11,855	7,884	19,739
Mineral properties and deferred exploration costs	-	1,678,473	1,678,473
	<u>4,601,417</u>	<u>1,724,125</u>	<u>6,325,542</u>
Mineral property and deferred exploration costs additions	<u>-</u>	<u>673,066</u>	<u>673,066</u>

**8. SUBSEQUENT EVENTS**

On September 1, 2004, the Company granted stock options to directors, employees and consultants to purchase 600,000 common shares of the Company at an exercise price of \$1.00 per share, expiring September 1, 2005.

# **GOLDEN PEAKS RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JULY 31, 2004**

### **Background**

This discussion and analysis of financial position and results of operation is prepared as at September 24, 2004 and should be read in conjunction with the unaudited interim consolidated financial statements and the accompanying notes for the three months ended July 31, 2004 and 2003 of Golden Peaks Resources Ltd. (the "Company"). Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Company Overview**

The Company's shares are listed and posted for trading on the TSX Venture Exchange ("TSXV") as a Tier 1 issuer, under the symbol "GL". The Company is involved in mineral exploration, with its primary assets located in Argentina. The Company intends to continue exploring for economic gold and silver mineralization in Argentina. The Company's corporate strategy is to acquire, or have the right to acquire, interests in advanced projects which have the potential to host large, high-grade gold deposits. The Company has assembled a portfolio of Argentine mineral properties which meet these criteria, and is continuing to aggressively pursue additional properties of merit in Argentina.

As of the date of this MD&A, the Company has not earned any production revenue, nor found any proved reserves on any of its properties. The Company is a reporting issuer in British Columbia and Alberta.

### **Forward Looking Statements**

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

### **Exploration Projects**

#### *Nik Project, La Rioja Province, Argentina*

The Nik Project is located in the province of La Rioja, Argentina. The Company has recently consolidated its interests in the Nik Project, which covers the JV district as well as the intersection of the Vallecito Structural Zone (a regional mineralized structure) and the range front fault of the Sierra de las Minas massif. The Company owns a 100% interest in one permit (2,900 hectare) and may acquire a 100% interest in another two permits (2,660 hectares) by spending US \$100,000 on exploration by April 1, 2006. Gold mineralization in the JV district is peripheral and tensional to the intersection of the Vallecito Structural Zone and the range front fault of the Sierra de las Minas massif. This structural intersection is located at the center of a 5 kilometer diameter aeromagnetic structure, possibly representing an intrusive/volcanic center of Tertiary age. In 2003, the structural intersection was surveyed with ground magnetics and induced polarization. The greatest structural complexity occurs within the central 1.5 kilometer segment where the principal structures intersect. Induced polarization shows chargeability responses associated with all of the target structures interpreted from magnetics. These targets have never been drilled. A diamond drilling program is planned.

#### *La Fortuna Project, Chubut Province, Argentina*

In January 2004 the Company announced that it had entered into an agreement to acquire a 100% interest in the La Fortuna Project, located in the province of Chubut, Argentina. Under the terms of the option agreement the Company may acquire a 100% interest in the La Fortuna Project by making option payments totaling US \$350,000 over three

years and paying US \$1 per ounce of proven and economically recoverable Au or Ag equivalent to a maximum of US \$4 million. The option is deemed to be exercised after 5 years. A minimum of US\$1 million is payable after 3.5 years. The remaining monies are payable if and when additional ounces of proven and economically recoverable Au or Ag equivalent are identified.

The property, which covers approximately 5,000 hectares, is highly prospective for epithermal gold-silver mineralization. Two large gold-mineralized structures (the CB (1,200 meters long) and CR (2,700 meters long)) were initially recognized and major new structures were identified for ground follow-up through analysis of satellite imagery. All of the structures have associated gold-in-stream sediment anomalies.

In February 2004, the Company conducted confirmation sampling on the CR structure. This sampling confirmed the gold bearing character of the 2,700 meter long structure. The structure comprises quartz veining, brecciation and silicification. Primary sulphides are rare but the structure is heavily gossaned after sulphides. The B zone is variably developed across a width of approximately 500 meters suggesting a significant zone of dilation on the structure. Overall, the results of the Company's sampling are equal to or better than the historical samples obtained by Minera Mincorp S.A.

In July 2004, the Company discovered a new gold mineralized structure on the La Fortuna Project. The A structure was identified through analysis of satellite imagery, and was confirmed through ground prospecting and mapping. The structure lies to the north of the CB and CR structures. The A structure is approximately 5 kilometers long. Exposure is limited because of extensive talus cover. Different styles of mineralization have been identified along the structure ranging from strong silicification in the northwest through quartz veins/breccia in the central sector to high level clay alteration with anomalous gold at the southeast end. The central sector appears to be the best mineralized, however, this may be a function of exposure. Wider zones of low grade gold are found at the southeast end.

In September 2004, the Company announced the discovery of the ML structure, located approximately 6 kilometers south of the A structure and approximately 4 kilometers south of the CR structure. The structure comprises extensive to massive silicification. Reconnaissance sampling returned gold values up to 3.88 g/t as well as very anomalous values of silver, arsenic, mercury, lead and antimony. The silicification may represent a silica cap over deeper mineralization.

#### ML ZONE

GOLD g/t	SILVER g/t	ARSENIC ppm	MERCURY ppm	LEAD ppm	ANTIMONY ppm	WIDTH metres
3.88	22.00	15.00	4.00		10.00	1.00
2.15	10.10	14.00	<2.00		16.00	0.50
0.53	25.09	50.29	5.75	>10,000.00	17.61	1.00
0.27	52.88	30.12		238.00	5.44	1.20
0.14	2.70	167.00	<2.00	754.00	8.00	Grab
0.10	0.50	37.00	<2.00	154.00		0.60
0.09	1.18	71.10		188.00		2.00
0.09	6.12	53.20		396.00		4.00
0.08	33.73	98.56	2.99	1,573.00	8.80	5.00
0.05	14.12	155.38	3.59	9,860.00	13.68	1.50
0.04	91.00	113.00	3.00		42.00	Grab
0.04	12.30	22.00	<2.00	1,060.00		0.50
0.03	1.89	57.07		981.00		2.20
0.03	1.42	25.66		3,081.00		4.00
0.01	0.90	76.00	<2.00	91.00		2.00
0.38	56.33	16.15		222.00		*
0.03	13.31	6.32		>10,000.00		*
0.10	4.70	39.96		>10,000.00		*
0.11	8.30	13.19		9,126.00		*
0.07	6.21	83.81		2,855.00	5.92	*
0.05	2.97	48.70		158.00		*
0.05	4.46	608.35	4.89	644.00	32.33	*

GOLD g/t	SILVER g/t	ARSENIC ppm	MERCURY ppm	LEAD ppm	ANTIMONY ppm	WIDTH metres
0.02	3.09	838.44	2.76	174.00	32.11	*
0.13	11.07	480.83	3.51	2,293.00	19.06	*

\* non-continuous chip sampling across 9 adjacent silicified structures 0.5 to 10.0 meters wide.

The new discovery greatly enhances the prospectivity of the La Fortuna Project. Four significant gold mineralized structures (the A, CR, CB and ML) have now been identified and all are being surveyed with ground magnetics and induced polarization/resistivity. A number of drill targets have already been established on the A, CR, CB, E and ML structures coincident with significant surface gold mineralization, and gold mineralization associated with old underground workings. The geophysical surveys will aid in the identification of additional drill targets for the Company's planned diamond drilling program which will test the various gold-mineralized structures.

*Tanque Negro Project, Rio Negro Province, Argentina*

The 2003 reconnaissance diamond drilling program was undertaken on widely spaced targets on the SP, S1, S3, S4, S5, S6 and S7 structures. The seven structures exhibit highly anomalous pathfinder geochemistry (gold + mercury + arsenic + antimony + tellurium), clay alteration, silicification and/or quartz veining. Chalcedony, crustiform-colloform banding and platy calcite replacement also occur locally indicating the surface mineralization is relatively high in the epithermal system and above the level at which high grade gold-silver mineralization might occur. All but one of the structures (S7) lie within a wide, north trending magnetic low (2,400 meters long and varying in width from 500 meters in the south to 1,200 meters in the north). North trending chargeability zones are associated with the structures. The best results were obtained from the S1, SP and S4 structures. Because of the wide spacing of these initial holes significant lengths of the structures remain untested and it is likely that other significant intersections will be obtained in future drilling.

Hole TNDH-10, the only hole drilled on the 2 kilometer long S1 structure, tested a wide zone of very heavily oxidized silicification, brecciation and clay alteration interpreted to be a vertical structure. The hole intersected a 0.12 g/t gold & 6.00 g/t silver over 46.1 meters which is significantly better and wider than was obtained at surface. Additional drilling is required to evaluate the zone and to test for high-grade gold-silver mineralization.

Hole TNDH-1, drilled near the north end of the 1 kilometers long SP structure, intersected an east dipping (+/- 20deg.) zone of black sulphidic alteration with internal bands/bodies of black vuggy silica. The surface mineralization (4.34 g/t gold & 70.5 g/t silver over 3.0 meters including 9.14 g/t gold over 1.0 meter and 200 g/t silver over 1.0 meter) was interpreted to be a part of this stratiform mineralization. Holes TNDH-2 and 3, drilled on section with TNDH-1, intersected 32 meters and 24 meters respectively of similar material. The zone carries highly anomalous gold, silver and mercury values. Additional drilling is required.

Hole TNDH-5, drilled 170 meters east of TNDH-4 and 450 meters south of holes TNDH-1, 2 and 3, intersected 25.1 meters of mineralization similar to that in TNDH-1, 2 and 3. The indications are the stratiform mineralization is wide and laterally extensive. It does not carry significant mineralization where drilled, however, the zone requires further testing as it is developed in a regionally extensive and permissive ignimbrite unit.

Hole TNDH-11 tested a wide zone of silicification, brecciation and clay alteration on the S4 structure, approximately 1 kilometer north of TNDH-10. Geologically, the structure is similar to that tested by TNDH-10 and two wide zones (11.85 and 20.10 meters) of elevated silver values were intersected. This is the only hole drilled on the 600 meter long structure which appears to be a faulted offset of the S1 structure. Additional drilling is required to test for high-grade gold-silver mineralization deeper in the structure.

A PIMA survey of drill core in 2004 identified the presence of dickite in holes TNDH-2 and 3. This may be indicative of high-sulphidation mineralization. This is particularly encouraging as these two holes, drilled on section and 100 meters apart, intersected a wide replacement zone (up to 32 meters true width) of black sulphidic alteration with internal bands/bodies of black vuggy silica in porous volcanics. The zone carries highly anomalous gold, silver and mercury values associated with dickite alteration.

Also in 2004, a reconnaissance pole-dipole survey (induced polarization/resistivity) was completed over portions of the main mineralized structures.. This survey method, which is appropriate to test for large mineralized targets at moderate

depths, was designed to map the structures to depths of up to 300 meters and to enhance existing drill targets on the structures. The data indicates potentially significant resistivity and/or chargeability responses associated with the known structures. The survey also identified two new areas of interest in a previously un-surveyed portion of the property. As a result the geophysical survey has been expanded:

- The ground magnetic survey has been expanded to map hitherto un-surveyed portions of the mineralized system, as well as to map new areas of interest indicated by the reconnaissance pole-dipole survey.
- Additional lines of IP/R are being surveyed to give complete coverage of the mineralized structures.

*Golden Project, Chubut Province, Argentina*

The Company owns a 100% interest in the 2,000 hectare property which lies at an altitude of approximately 1,100 meters ASL and is road accessible. The Golden Project is located approximately 35 kilometres southwest of the Navidad prospect (IMA Exploration Inc.) and in the same geological province.

To date, there has been very limited prospecting on the property. Outcrop is limited, however, numerous barite veins and epithermal chalcedonic quartz veins have been found. Five prospecting samples from quartz veining returned gold values ranging from 0.03 to 0.16 g/t gold; 4.5 to 18.3 g/t silver; and 50 to 4550 ppm mercury. Limited, reconnaissance, ground magnetic and induced polarization surveys (400 meter spaced lines) have been completed. Prominent NW-trending and N-trending magnetic structures are associated with the quartz and barite veining, and there are local induced polarization and resistivity responses.

The Company plans further exploration to identify diamond drill targets.

*La Dorada Property, Nequen Province, Argentina*

In April 2004, the Company entered into an option agreement to acquire a 100% interest in the La Dorada Property, located in the province of Neuquen, Argentina. Under the terms of the option agreement the Company may acquire a 100% interest in the property by making option payments totaling US \$400,000 over six years. If the option is exercised the vendor will retain a 1.2% NSR which may be purchased at any time for US \$1 million.

The La Dorada Property lies on the east margin of the Loncoupe graben. There is an old adit in one locale as well as evidence of historical placer workings. Spoil at the adit entrance consists of semi-massive to massive pyrite with minor specularite, galena and sphalerite. The Company has conducted limited sampling on the property and is in the process of compiling the historic data. One gold-silver mineralized structure is currently recognized. This structure varies from 1.0 to 6.0 meters in width and is at least 600 meters long.

The property has never been drilled or surveyed with geophysics. The Company plans a program of mapping, prospecting and geophysical surveys (magnetics/induced polarization) prior to diamond drilling. A number of diamond drill targets have already been identified and the exploration program is expected to generate additional drill targets.

**Selected Financial Data**

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Fiscal 2005	Fiscal 2004				Fiscal 2003			
	Jul. 31 \$	Apr. 30 \$	Jan. 31 \$	Oct. 31 \$	Jul. 31 \$	Apr. 30 \$	Jan. 31 \$	Oct. 31 \$	
<b>Operations:</b>									
Revenues	-	-	-	-	-	-	-	-	
Net income (loss)	(75,044)	(147,878)	(3,011,660)	(104,208)	(54,320)	(86,392)	(57,950)	(85,856)	
Basic and diluted loss per share	(0.00)	(0.01)	(0.19)	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	
Dividends per share	-	-	-	-	-	-	-	-	

	Fiscal 2005	Fiscal 2004				Fiscal 2003		
	Jul. 31 \$	Apr. 30 \$	Jan. 31 \$	Oct. 31 \$	Jul. 31 \$	Apr. 30 \$	Jan. 31 \$	Oct. 31 \$
<b>Balance Sheet:</b>								
Working capital	4,363,091	4,570,961	871,631	1,037,868	1,445,389	1,635,047	1,781,252	2,060,944
Total assets	6,221,286	6,325,542	2,501,830	5,441,241	5,532,373	5,599,727	5,723,778	5,763,426
Total long-term liabilities	-	-	-	-	-	-	-	-

## Results of Operations

During the three months ended July 31, 2004 ("2004"), the Company reported a loss of \$75,044, an increase in loss of \$20,724 from the loss of \$54,320 during the comparable period in 2003 ("2003").

General and administrative expenses incurred during 2004 was \$90,762, an increase of \$38,586 from the \$52,716 incurred in 2003. Although most categories were relatively stable, the Company did experience significant variances in the following: i) during 2004 the Company paid \$30,000 for general corporate financing fees provided by an arms-length party; ii) during 2004 and 2003 the Company paid \$22,500 to private corporations owned by the Chairman of the Company. In 2003, \$7,500 was capitalized to mineral properties as project management fees and \$15,000 was expensed. In 2004, all of the payments were expensed, and; iii) \$6,727 (US \$5,000) paid in 2004 for attendance at an investment conference.

During 2004, the Company earned \$20,428 interest income compared to \$8,383 in 2003. The increase in 2004 was expected due to the increased funds held in 2004 from the \$4.2 million private placement conducted in April 2004.

During 2004, the Company incurred \$20,276 in exploration expenditures on the Nik Claim, \$16,266 on the Tanque Negro Project, \$79,211 on the La Fortuna Project and \$26,580 on other minor properties. Detailed discussion of the Company's exploration activities conducted are discussed in "Exploration Projects".

## Financial Condition / Capital Resources

The Company's practice is to proceed with staged exploration, where each stage is dependent on the successful results of the preceding stage. To date the Company has not received any revenues from its mining activities and has relied on equity financing to fund its commitments and discharge its liabilities as they come due. As of July 31, 2004, the Company had working capital of \$4,363,091. The Company believes that it has sufficient working capital to meet the anticipated cost of all its future exploration programs on the Nik Claim, Tanque Negro Project, and La Fortuna Project and corporate overhead requirements through 2005. However, results from its exploration programs and/or additional mineral property acquisitions may result in additional financial requirements. If needed, the Company would be required to conduct additional financings, however, there is no assurance that funding will be available on terms acceptable to the Company or at all. If such funds cannot be secured, the Company may be forced to curtail additional exploration efforts to a level for which funding can be secured or relinquish certain of its properties.

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Proposed Transactions

The Company has no proposed transactions.

## Critical Accounting Estimates

A detailed summary of all the Company's significant accounting policies is included in Notes 2 and 3 to the April 30, 2004 audited consolidated financial statements.

### **Changes in Accounting Policies**

The Company has no changes in accounting policies.

### **Transactions With Related Parties**

During 2004, the Company was charged a total of \$44,575 (2003 - \$48,357) by companies controlled by directors and officers of the Company for accounting, administrative, management and project supervision.

### **Risks and Uncertainties**

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's mineral properties are located in Argentina and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

### **Investor Relations Activities**

The Company did not engage any outside consultants to provide investor relations activities during the three months ended July 31, 2004. All investor relations activities are provided by the Company's officers and employees.

### **Outstanding Share Data**

The Company's authorized share capital is 100,000,000 common shares without par value. As at July 31, 2004, there were 20,019,944 issued common shares. As at July 31, 2004, there were 625,000 stock options outstanding and exercisable, with exercise prices ranging from \$0.56 to \$0.85 per share. In addition there were 5,751,728 warrants outstanding, with exercise prices ranging from \$0.69 to \$2.00 per share.

On September 1, 2004, the Company granted stock options to directors, employees and consultants to purchase 600,000 common shares of the Company at an exercise price of \$1.00 per share, expiring September 1, 2005.