



**KENWAY  
MACK  
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STEWART<sub>LLP</sub>**  
Chartered Accountants  
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## **Planet Exploration Inc.**

### **Consolidated Financial Statements**

**March 31, 2004**

### **Auditors' Report**

To: The Shareholders of  
**Planet Exploration Inc.**

We have audited the consolidated balance sheet of **Planet Exploration Inc.** as at **March 31, 2004** and the consolidated statements of loss and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2003 and for the year then ended were audited by another auditor who expressed an opinion without reservation on these statements in his report dated July 28, 2003.

*Kennedy Mack Slusarchuk Stewart LLP*

July 14, 2004

Chartered Accountants

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# Planet Exploration Inc.

## Consolidated Balance Sheets

As at March 31,

2004

2003

### Assets

#### Current assets

Cash and cash equivalents	\$ 6,728,219	\$ 912,173
Term deposit	500,000	-
Accounts receivable	701,868	60,374
Marketable securities	6,100	-
	<u>7,936,187</u>	<u>972,547</u>

#### Mineral properties (note 4)

<u>3,950,795</u>	<u>917,946</u>
<u>\$11,886,982</u>	<u>\$ 1,890,493</u>

### Liabilities and Shareholders' Equity

#### Current liabilities

Accounts payable	\$ 299,606	\$ 98,323
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#### Future income taxes (note 6)

<u>839,393</u>	<u>-</u>
<u>1,138,999</u>	<u>98,323</u>

#### Shareholders' equity

Common shares (note 5)	10,893,411	2,204,931
Warrants (note 5)	512,040	58,029
Contributed surplus	400,363	37,500
Deficit	<u>(1,057,831)</u>	<u>(508,290)</u>
	<u>10,747,983</u>	<u>1,792,170</u>
	<u>\$11,886,982</u>	<u>\$ 1,890,493</u>

Approved by the Board

(signed) "Ranjeet Sundher" \_\_\_\_\_

Director

(signed) "Darold H. Parken" \_\_\_\_\_

Director

See accompanying notes

## Planet Exploration Inc.

### Consolidated Statements of Loss and Deficit

For the year ended March 31,	2004	2003
<b>Interest revenue</b>	\$ 57,155	\$ -
<b>Expenses</b>		
General and administrative	421,727	183,232
Stock-based compensation	362,863	37,500
	<u>784,590</u>	<u>220,732</u>
<b>Loss before income taxes</b>	(727,435)	(220,732)
<b>Future income tax recovery</b>	<u>(177,894)</u>	-
<b>Net loss</b>	(549,541)	(220,732)
<b>Deficit, beginning of year</b>	<u>(508,290)</u>	<u>(287,558)</u>
<b>Deficit, end of year</b>	<u>(1,057,831)</u>	<u>(508,290)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.032)</u>	<u>\$ (0.033)</u>
<b>Basic and diluted weighted average number of shares outstanding</b>	<u>17,022,962</u>	<u>6,596,936</u>

See accompanying notes

# Planet Exploration Inc.

## Consolidated Statements of Cash Flows

For the year ended March 31,

**2004**

**2003**

### Operating activities

Net loss	\$ (549,541)	\$ (220,732)
Item not affecting cash:		
Future income taxes	(177,894)	-
Stock-based compensation	362,863	37,500
Cash from operations	(364,572)	(183,232)
Net changes in non-cash working capital items related to operations	47,995	34,330
	<u>(316,577)</u>	<u>(148,902)</u>

### Financing activities

Issue of common shares and warrants, net of issue costs	7,377,309	1,704,783
Net changes in non-cash working capital items related to financing activities	147,005	-
	<u>7,524,314</u>	<u>1,704,783</u>

### Investing activities

Acquisition of mineral properties	(883,732)	(670,436)
Disposition of mineral properties	633,353	21,325
Increase in term deposit	(500,000)	-
Due from joint venture partner	(641,312)	-
	<u>(1,391,691)</u>	<u>(649,111)</u>

### Increase in cash

5,816,046      906,770

### Cash and cash equivalents, beginning of year

912,173      5,403

### Cash and cash equivalents, end of year

\$ 6,728,219      \$ 912,173

### Supplemental cash flow information

Interest received	\$ 51,657	\$ -
Mineral property interests acquired through the issuance of shares	\$ 1,750,360	\$ 60,000
Mineral property cost related to the future income tax liability	\$ 1,032,110	\$ -
Marketable securities acquired under option agreement	\$ 6,100	\$ -

See accompanying notes

# **Planet Exploration Inc.**

## Notes to Consolidated Financial Statements

March 31, 2004 and 2003

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### **1. Nature of operations**

The Company is in the business of acquiring, exploring and developing mineral properties, both directly and through joint ventures. To date, the Company has not generated significant revenues from operations and is considered to be a development stage company.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company are primarily dependent upon its ability to raise exploration financing from equity markets or by selling or optioning its mineral properties. Recovery of the capitalized carrying costs shown for mineral properties will likely require the establishment of economically recoverable reserves, the securing of development financing and profitable production.

### **2. Changes in accounting policies**

#### **Stock-based compensation**

Effective April 1, 2003, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants on accounting for stock-based compensation. Under this recommendation, stock-based compensation is recorded using the fair value method for all stock options granted on or after April 1, 2003. The Company has applied the change prospectively.

#### **Flow-through shares**

Effective March 19, 2004, the Company has adopted the recommendations of the Canadian Institute of Chartered Accountants concerning the recognition of the tax effect of flow-through share renunciations. In accordance with the new accounting recommendations, a future tax liability is recorded and share capital is reduced by the estimated tax effect when the expenditures are renounced. Previously, the Company recorded the future tax liability at the later of the date of renunciation or the time the qualified expenditure was incurred.

### **3. Summary of significant accounting policies**

#### **Principles of consolidation**

The consolidated financial statements include the accounts of Planet Exploration Inc. and its wholly owned Mexican subsidiary, Minera Planet Exploration, S.A. De S.V.

The Company conducts a majority of its mining activities on a joint venture basis. These financial statements reflect the Company's proportionate interest in such ventures.

# **Planet Exploration Inc.**

Notes to Consolidated Financial Statements

March 31, 2004 and 2003

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## **3. Summary of significant accounting policies, continued**

### **Measurement uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

### **Foreign currency translation**

Foreign currency transactions

Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets, liabilities and items affecting earnings are translated into Canadian dollars at rates of exchange in effect at the date of the transaction. Gains or losses arising from these foreign currency transactions are included in the determination of income.

Foreign subsidiary

Minera Planet Exploration, S.A. De S.V. is considered to be an integrated foreign operation. As a result, the foreign subsidiary's accounts are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the average rate for the year. Gains and losses resulting from translation are reflected in the statements of earnings.

### **Marketable securities**

Marketable securities are carried at the lower of cost or quoted market value. When market value is below cost, any unrealized loss is charged to income.

### **Mineral properties**

The Company records its interest in mineral properties at cost less option payments received and other recoveries. Exploration and development costs related to these interests are capitalized until the mineral properties to which they relate are placed into production, sold or allowed to lapse. When production commences, these expenditures will be amortized over the useful life of the estimated reserves on the unit of production basis. If a project is abandoned or considered to be of no further interest to the Company, the related expenditures are charged to income. If there are no significant expenditures incurred on a property over a three year period, the project is considered to be of no further interest to the Company.

Payments on mineral property option agreements are made at the discretion of the Company and accordingly are accounted for when the Company has committed to make an option payment.

# **Planet Exploration Inc.**

## Notes to Consolidated Financial Statements

March 31, 2004 and 2003

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### **3. Summary of significant accounting policies, continued**

#### **Income taxes**

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess. In its 2004 fiscal year, the Company adopted the recommendation of the Canadian Institute of Chartered Accountants contained in EIC 146 such that the benefit of a reduction of the valuation allowance due to renounced exploration and development expenditures is recorded as a future income tax recovery in the income statement. Previously, it was recorded as a reduction of the tax effect of the issuance of flow through shares.

#### **Flow-through shares**

Certain resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. To recognize the forgone tax benefits to the Company, the future income tax liability and the carrying value of the shares issued are adjusted by the effect of the tax benefits renounced to subscribers. Effective March 19, 2004, the future income tax liability is recorded when the expenditures are renounced by the Company. Previously, the Company recorded the future income tax liability at the later of renunciation and the time that the qualified expenditure was incurred.

#### **Stock-based compensation**

The Company has a stock-based compensation plan as described in note 5. Effective April 1, 2003, the Company adopted the fair value method to account for all options granted. As such, compensation expense and contributed surplus are recorded based on the fair value of the option at the date of grant determined using the Black-Scholes options pricing model. In its 2003 fiscal year, the Company used the intrinsic value-based method of accounting for options granted to employees. The fair value of options granted in 2003 was determined by giving consideration to subsequent securities issuances by the Company, both completed and proposed. Also, consideration was given to the value attached to the stock options in exchange for services by an arms length consultant, and the recent trading history of the Company's common shares. An estimated weighted average of these factors was then applied.

#### **Per share amounts**

Per share amounts are based on the weighted average of common shares outstanding during the year. Diluted amounts per share are based on the dilutive effect of stock options and other dilutive instruments using the treasury stock method that assumes any proceeds received by the Company upon the exercise of in-the-money stock options would be used to buy back common shares at the average market price for the period.

# Planet Exploration Inc.

Notes to Consolidated Financial Statements

March 31, 2004 and 2003

### 3. Summary of significant accounting policies, continued

#### Cash and cash equivalents

Cash equivalents include short-term investments with maturities of less than 90 days.

### 4. Mineral properties

Costs, net of recoveries, of the Company's mineral properties are as follows:

				2004	2003
	Acquisition Costs (Net of Recoveries)	Deferred Exploration and Development Costs	Write-down and Write-off of Capitalized Costs	Total	Total
Red Lake, Ontario	\$ 2,157,110	\$1,515,240	\$ (163,322)	\$ 3,509,028	\$ 852,884
Mongolia	123,658	98,006	-	221,664	65,062
Mexico	35,221	117,195	-	152,416	-
China	67,687	-	-	67,687	-
	<u>\$ 2,383,676</u>	<u>\$1,730,441</u>	<u>\$ (163,322)</u>	<u>\$ 3,950,795</u>	<u>\$ 917,946</u>

The Red Lake, Ontario balance includes an amount of \$1,032,110 to give recognition to the future income tax liability related to the acquisition of a mineral property interest in accordance with Section 85 of the Income Tax Act. See Notes 5 and 6 for additional information.

#### Red Lake, Ontario, Canada

Under the terms of an agreement dated October 15, 2002, the Company increased its interest in certain mining claims in the Red Lake Mining District to a 100% interest in consideration of cash payments totalling \$100,000 by December 31, 2002 and the issuance by the Company of 3,500,000 shares by April 15, 2003.

By an agreement dated April 10, 2003, the Company granted options to Goldcorp Inc. to acquire a 60% interest in the Red Lake mining claims in consideration of:

- First option to acquire up to a 50% interest:
  - cash payments of \$600,000 by April 10, 2004 (which has been received), \$50,000 by April 10, 2005, and \$400,000 by April 10, 2006.
  - exploration expenditures of \$250,000 by April 10, 2004 (which has been made), \$500,000 by April 10, 2005 and \$750,000 by April 10, 2006.
- Second option to acquire an additional 10% interest:
  - Cash payment of \$600,000 by May 10, 2006.

# **Planet Exploration Inc.**

## Notes to Consolidated Financial Statements

March 31, 2004 and 2003

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### **4. Mineral properties, continued**

#### **Mongolia**

Under the terms of an agreement dated June 26, 2002, the Company acquired three mineral investigation licenses in Mongolia in consideration of a cash payment of \$15,000(US) and the issuance of 200,000 shares. One of the mineral investigation licenses has expired as of March 31, 2004.

By agreement dated February 5, 2003, the Company granted an option to Canadian Shield Resources Inc. to acquire a 50% interest in the three mineral investigation leases in consideration of cash payments, exploration expenditures and the issuance of shares. The Company received \$10,000(US) cash and was issued 50,000 shares of Canadian Shield Resources Inc. In 2004, Canadian Shield Resources Inc. terminated their option.

By agreement dated October 7, 2003, the Company also acquired an exploration license (Ovoot property) in Mongolia in consideration of cash payments totalling \$40,000(US).

#### **Mexico**

Under the terms of an option agreement dated October 16, 2003, the Company has the option to acquire a 100% interest in the Copalquin property in Mexico in consideration of cash payments totaling \$415,000(US) over five years, the issuance by the Company of \$24,000(US) of its shares and by incurring exploration expenditures of \$1,000,000(US) over five years. At the feasibility study stage, the Company is obligated to pay the property owner \$1.00 (US) per ounce of recoverable gold or its equivalent in recoverable silver. The Company is also responsible for a 2.5% Net Smelter Return to the owner and has an option to purchase 1.5% for \$1,000,000 (US). The Company has paid a finder's fee of \$25,000 (US) and has agreed to pay a further finder's fee of \$25,000 (Cdn) on July 15, 2004 and \$25,000 (Cdn) on July 15, 2005.

By agreement dated February 13, 2004, the Company granted an option to UC Resources Ltd. to acquire a 50% interest in the Copalquin property in consideration of cash payments of \$440,000(US) over three years and incurring exploration expenditures of \$1,250,000(US) over three years.

#### **China**

The Company entered into a cooperation agreement dated November 11, 2003 pertaining to the Wulanbulang property in China. Under the terms of the agreement the Company can earn an 80% interest in the Wulanbulang property by making cash payments totalling \$600,000 (US) over three years and by funding a minimum \$500,000 (US) exploration program over three years. The Company has also been granted an option to purchase an 80% interest in three mining licenses and a mill for \$1,800,000(US). The Company must first earn its interest in the exploration property before it can purchase the 80% interest in the mining licenses and mill.

# Planet Exploration Inc.

## Notes to Consolidated Financial Statements

March 31, 2004 and 2003

### 5. Share capital

#### Authorized

- Unlimited number of common voting shares without nominal or par value.
- Unlimited number of first preferred shares.
- Unlimited number of second preferred shares.

#### Issued and outstanding common shares

	2004		2003	
	Number of Shares	Consideration	Number of Shares	Consideration
Balance, beginning of year	11,385,445	\$ 2,204,931	4,750,000	\$ 498,177
Common shares issued for cash	4,300,000	5,530,660	3,302,945	1,449,061
Common shares issued upon exercise of warrants	3,532,945	1,850,404		
Common shares issued upon exercise of stock options	50,000	5,000	632,500	63,250
Special warrants issued for cash and subsequently converted to common shares			2,500,000	225,000
Common shares issued for mineral properties	3,520,800	1,750,360	200,000	60,000
Share issue costs		(462,766)		(90,557)
Future income tax effect of share issue costs		181,635		
Future income tax effect of renounced expenditures		(166,813)		(209,971)
Future income tax offset				209,971
Balance, end of year	<u>22,789,190</u>	<u>\$ 10,893,411</u>	<u>11,385,445</u>	<u>\$ 2,204,931</u>

On April 26, 2002, 332,500 options with an exercise price of \$0.10 per share were exercised resulting in the issuance of 332,500 shares for gross proceeds of \$33,250.

On June 9, 2002, the Company completed a private placement of 2,500,000 flow-through special warrants each consisting of one common share and one warrant to purchase one common share exercisable at \$0.125 per share until June 9, 2004 for gross proceeds of \$250,000. The Company determined the fair value of the warrants to be \$25,000.

On June 24, 2002, 200,000 shares were issued in exchange for an interest in a mineral property at a price of \$0.30 per share for deemed proceeds of \$60,000.

On September 30, 2002, 50,000 options with an exercise price of \$0.10 per share were exercised resulting in the issuance of 50,000 shares for gross proceeds of \$5,000.

## **Planet Exploration Inc.**

### Notes to Consolidated Financial Statements

March 31, 2004 and 2003

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#### **5. Share capital, continued**

On November 28, 2002, the Company completed a private placement of 1,302,945 flow through units consisting of one flow-through common share and one warrant exercisable at a price of \$0.45 per share until November 25, 2003 for gross proceeds \$482,090. The Company determined the fair value of the warrants to be \$13,029.

On March 11, 2003, the Company completed a private placement of 2,000,000 units consisting of one common share and one warrant exercisable at \$0.60 per share until March 10, 2004 for gross proceeds of \$1,000,000. The Company determined the fair value of the warrants to be \$20,000.

On March 31, 2003, 250,000 options with an exercise price of \$.10 per share were exercised resulting in the issuance of 250,000 shares for gross proceeds of \$25,000.

On April 1, 2003, 3,500,000 shares were issued in exchange for an interest in a mineral property at a price of \$0.49 per share resulting in deemed proceeds of \$1,715,000. The parties elected under Section 85 of the Income Tax Act that the interest in the mineral property acquired by the Company was acquired at a cost of \$117,529 for income tax purposes.

On December 12, 2003, the Company completed an offering of 4,300,000 units consisting of one common share and one non-transferable common share purchase warrant exercisable at a price of \$2.00 per share until December 15, 2005 for gross proceeds of \$6,020,000. The Company determined the fair value of the warrants to be \$512,040.

On January 29, 2004 the Company issued 20,800 shares in exchange for an interest in a mineral property at price of \$1.70 per share for deemed proceeds of \$35,360.

On May 2, 2003, 50,000 options with an exercise price of \$0.10 per option were exercised resulting in the issuance of 50,000 shares for gross proceeds of \$5,000.

During the year ended March 31, 2004, 3,532,945 warrants were exercised at an average price of \$0.514 per share resulting in the issuance of 3,532,945 shares for gross proceeds of \$1,815,075.

# Planet Exploration Inc.

## Notes to Consolidated Financial Statements

March 31, 2004 and 2003

### 5. Share capital, continued

#### Warrants

	2004		2003	
	Number of Warrants	Consideration	Number of Warrants	Consideration
Balance, beginning of the year	5,802,945	\$ 58,029	-	\$ -
Issued during the year	4,300,000	489,340	5,802,945	58,029
Exercised during the year	(3,532,945)	(35,329)	-	-
	<u>6,570,000</u>	<u>\$ 512,040</u>	<u>5,802,945</u>	<u>\$ 58,029</u>

Details of warrants outstanding at March 31, 2004 are as follows:

Number	Exercise price	Expiry Date
2,270,000	0.125	09/06/04
4,300,000	2.000	15/12/05
<u>6,570,000</u>		

#### Stock option plan

The Company has established a stock option plan whereby the Company may grant options to its directors, officers, employees and key consultants for up to 2,200,000 common shares. The exercise price of each option equals the market price of the Company's stock on the date of the grant (less any permitted discount, if any) and an option's maximum term is five years. The following is a continuity of stock options outstanding for which shares have been reserved.

	2004		2003	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of year	200,000	\$ 0.10	332,500	\$ 0.10
Granted	1,200,000	0.65	500,000	0.10
Exercised	(50,000)	0.10	(632,500)	0.10
Balance, end of year	<u>1,350,000</u>	<u>\$ 0.59</u>	<u>200,000</u>	<u>\$ 0.10</u>

# Planet Exploration Inc.

Notes to Consolidated Financial Statements

March 31, 2004 and 2003

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## 5. Share capital, continued

Details of stock options outstanding at March 31, 2004 are as follows:

<b>Number out- standing &amp; exercisable</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Weighted average exercise price</b>
150,000	3.08	\$ 0.10
100,000	4.16	0.56
500,000	0.01	0.60
500,000	4.01	0.70
100,000	4.16	0.75
<b>1,350,000</b>		<b>\$ 0.59</b>

### Stock-based compensation

During the year ended March 31, 2004, the Company recorded \$362,863 (2003 - \$37,500) as compensation expense for stock options granted.

During the year ended March 31, 2004, the fair value of each option granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions.

Risk free interest rate (%)	4.00
Expected life (years)	3.75
Expected volatility (%)	40.00
Expected dividends (%)	0.00
Weighted average grant-date fair value (\$)	0.74

During the year ended March 31, 2003, the fair value of each option granted was estimated to be \$0.15 per option. The fair value of 250,000 options that were granted to consultants was \$37,500 and was recorded as stock based compensation expense. The fair value of 250,000 options granted to directors and employees was \$37,500 and was not recorded. Had the fair value of options granted to directors and employees for the year ended March 31, 2003 been recorded, the Company's pro forma net loss would have been \$258,232 and the pro forma basic loss per share would have been \$0.04.

### Per share amounts

Basic and diluted per share amounts are calculated using the weighted average number of common shares outstanding during the year of 17,022,962 (2003 - 6,596,936).

The options to purchase common shares and warrants outstanding were not included in the computation of diluted earnings per share because they were anti-dilutive.

# Planet Exploration Inc.

## Notes to Consolidated Financial Statements

March 31, 2004 and 2003

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### 6. Income taxes

Income tax recovery differs from the amount that would be computed by applying the basic combined Canadian federal and provincial statutory income tax rate to the net loss for the year. The reasons for the differences are as follows:

	<u>2004</u>	<u>2003</u>
Net loss	\$ (727,435)	\$ (220,732)
Combined Canadian federal and provincial statutory rate	39.25%	42.24%
Computed recovery	(285,518)	(93,237)
Non - deductible stock option compensation	142,424	15,840
Benefit of loss carry forwards tax deduction not recognized	-	77,397
Other	(34,800)	-
Actual recovery	<u>\$ (177,894)</u>	<u>\$ -</u>

During the year ended March 31, 2004, an election under Section 85 of the Income Tax Act was used to acquire additional interests in certain mineral properties. This resulted in the properties acquired having a lower tax value than the consideration paid. Consequently, \$1,032,110 in future income taxes has been recognized in the accounts. See Notes 4 and 5 for additional information.

The components of the Company's net future income tax liability is as follows:

	<u>2004</u>	<u>2003</u>
Net book value of mineral properties in excess of tax value	\$ 1,201,548	\$ 152,470
Benefit of non-capital losses	(195,512)	(162,692)
Benefit of share issue costs	(166,643)	(30,610)
Valuation allowance	-	40,832
	<u>\$ 839,393</u>	<u>\$ -</u>

# **Planet Exploration Inc.**

## Notes to Consolidated Financial Statements

March 31, 2004 and 2003

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### **7. Related party transactions**

The Company incurred \$87,000 (2003 - \$7,560) in legal and consulting fees with two directors and officers of the Company. These fees are measured at the exchange amount and recorded in general and administrative expenses. The Company incurred \$11,900 (2003 - \$4,250) in geological fees with another director and officer of the Company. These fees are measured at the exchange amount and recorded as additions to mineral properties. A director and officer received a payroll advance for the first month in the next quarter. This advance was non-interest bearing and was earned during the next quarter. Accounts payable includes a total of \$19,191 (2003 - \$7,902) owing to related parties.

### **8. Financial instruments**

The Company's carrying value of cash and cash equivalents, term deposit, accounts receivable and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The quoted market value of marketable securities at March 31, 2004 was \$50,000.

### **9. Segmented information**

The Company is in the business of acquiring, exploring and developing mineral properties. It does not operate in any other business segment. Its mineral properties are located in Red Lake, Ontario, Mongolia, Mexico, and China. All of the Company's expenses incurred related to the acquisition, exploration and development of the Company's mineral properties are capitalized for accounting purposes. See Note 4 for capitalized costs by geographic region. The Company's loss for the year is the result of expenses incurred in Canada.

### **10. Subsequent events**

- a) The Company has issued 100,000 common shares upon exercise of stock options for a total consideration of \$10,000.
- b) The Company has issued 100,000 common shares upon exercise of warrants for a total consideration of \$63,000.