

MUSKOX MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2004

AUDITORS' REPORT

To the Shareholders of
MuskoX Minerals Corp.

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

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

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

"DAVIDSON & COMPANY"

Vancouver, Canada

Chartered Accountants

January 4, 2005

A Member of *SC INTERNATIONAL*

MUSKOX MINERALS CORP.
CONSOLIDATED BALANCE SHEETS
AS AT AUGUST 31

	2004	2003
ASSETS		
Current		
Cash and equivalents	\$ 51,460	\$ 567,482
Short-term investment (Note 3)	2,015,849	-
Cash reserved for flow-through expenditures (Note 7)	-	328,173
Receivables	58,005	32,140
Exploration advances	367,767	32,500
Prepaid expenses and deposits	<u>76,739</u>	<u>163,849</u>
	2,569,820	1,124,144
Equipment (Note 4)	17,612	2,555
Resource properties (Note 5)	<u>18,374,484</u>	<u>16,963,653</u>
	<u>\$ 20,961,916</u>	<u>\$ 18,090,352</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 85,812	\$ 106,196
Loans payable (Note 6)	<u>-</u>	<u>672,539</u>
	85,812	778,735
Future income taxes (Note 7)	<u>2,076,752</u>	<u>2,795,844</u>
	<u>2,162,564</u>	<u>3,574,579</u>
Shareholders' equity		
Capital stock (Note 8)	21,696,557	16,707,575
Contributed surplus (Note 8)	453,964	349,571
Deficit	<u>(3,351,169)</u>	<u>(2,541,373)</u>
	<u>18,799,352</u>	<u>14,515,773</u>
	<u>\$ 20,961,916</u>	<u>\$ 18,090,352</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

On behalf of the Board:

"ROGER MORTON" Director "FEISAL SOMJI" Director

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

MUSKOX MINERALS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED AUGUST 31

	2004	2003
EXPENSES		
Administrative	\$ 58,413	\$ 32,308
Amortization	3,534	829
Computer and website	13,005	6,478
Consulting fees	59,500	142,993
Interest	29,193	86,286
Management fees	179,000	104,000
Office and miscellaneous	80,639	41,320
Professional fees	77,965	29,031
Rent	42,701	39,000
Shareholder communications	230,563	43,415
Stock-based compensation (Note 8)	91,088	349,571
Transfer agent and regulatory fees	59,684	27,942
Travel and related costs	<u>167,413</u>	<u>25,594</u>
Loss before other items	<u>(1,092,698)</u>	<u>(928,767)</u>
OTHER ITEMS		
Interest income	33,484	-
Gain on settlement of debt	-	25,299
Write-off of resource properties (Note 5)	<u>(469,674)</u>	<u>(210,642)</u>
	<u>(436,190)</u>	<u>(185,343)</u>
Loss before income taxes	(1,528,888)	(1,114,110)
Future income tax recovery (Note 7)	<u>719,092</u>	<u>497,728</u>
Loss for the year	(809,796)	(616,382)
Deficit, beginning of year	<u>(2,541,373)</u>	<u>(1,924,991)</u>
Deficit, end of year	<u>\$ (3,351,169)</u>	<u>\$ (2,541,373)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	<u>69,031,053</u>	<u>30,056,517</u>

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

MUSKOX MINERALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED AUGUST 31

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (809,796)	\$ (616,382)
Items not affecting cash:		
Amortization	3,534	829
Stock-based compensation	91,088	349,571
Gain on settlement of debt	-	(25,299)
Future income tax recovery	(719,092)	(497,728)
Accrued interest on loans payable	-	49,485
Write-off of resource properties	469,674	210,642
Accrued interest income	(15,849)	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(25,865)	26,156
Increase in exploration advances	(335,267)	(32,500)
(Increase) decrease in prepaid expenses and deposits	87,110	(96,965)
Decrease in accounts payable and accrued liabilities	<u>(20,384)</u>	<u>(790,988)</u>
Net cash used in operating activities	<u>(1,274,847)</u>	<u>(1,423,179)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of loans payable	(672,539)	(8,435)
Capital stock issued for cash	5,499,500	2,616,740
Share issuance costs	<u>(527,213)</u>	<u>(52,180)</u>
Net cash provided by financing activities	<u>4,299,748</u>	<u>2,556,125</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property payments	(280,000)	-
Acquisition of equipment	(18,591)	(1,450)
Deferred exploration costs	(1,570,505)	(233,617)
Short-term investment	<u>(2,000,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(3,869,096)</u>	<u>(235,067)</u>
Change in cash and equivalents during the year	(844,195)	897,879
Cash and equivalents (bank overdraft), beginning of year	<u>895,655</u>	<u>(2,224)</u>
Cash and equivalents, end of year	\$ 51,460	\$ 895,655
Cash and equivalents is comprised of the following:		
Cash	\$ 51,460	\$ 567,482
Cash reserved for flow-through expenditures	<u>-</u>	<u>328,173</u>
	\$ 51,460	\$ 895,655

Supplemental disclosure with respect to cash flows (Note 10)

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

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2004

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporations Act (Alberta) on August 16, 1996.

At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management believes it has adequate funds to continue its operations and to complete its existing exploration commitments for the upcoming year.

	2004	2003
Working capital	\$ 2,484,008	\$ 345,409
Deficit	(3,351,169)	(2,541,373)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Muskox Holdings Ltd., a company incorporated in British Columbia, and 913169 Alberta Ltd., a company incorporated in Alberta. All significant inter-company balances and transactions have been eliminated upon consolidation.

Use of estimates

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

Cash and equivalents

Cash and equivalents include highly liquid investments with original maturities of three months or less.

Short-term investments

Short-term investments include Canadian guaranteed investment certificates with a major Canadian Banking Institution. These investments are stated at cost plus accrued interest and their carrying value approximates their fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Equipment, being computer equipment, is recorded at cost less accumulated amortization. Amortization is calculated over the estimated useful life using the declining balance method at 30% per annum.

Resource 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 properties and other areas of geological interest is based on cash paid and the assigned value of share consideration costs incurred. The recorded amount may not reflect recoverable value as this will be dependent 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 expenses relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold or abandoned or management has determined there to be an impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production.

Values

The amounts shown for resource properties represent costs incurred to date and do not necessarily reflect present or future values.

Cost of maintaining resource properties

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

Environmental protection and rehabilitation costs

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

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Future income taxes

Future income taxes are calculated using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Capital stock is reduced and future income tax liability increased by the estimated tax benefits transferred to shareholders.

Stock-based compensation

Effective September 1, 2002, the Company adopted CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which recommends the fair value-based methodology for measuring compensation costs. The Company adopted the use of the fair value-based method and therefore all awards to employees and non-employees will be recorded at fair value on the date of grant.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year.

Comparative figures

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

3. SHORT-TERM INVESTMENT

	2004	2003
Canadian dollar guaranteed investment certificate	\$ 2,015,849	\$ -

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2004

4. EQUIPMENT

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 25,530	\$ 7,918	\$ 17,612	\$ 6,939	\$ 4,384	\$ 2,555

5. RESOURCE 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 its mineral properties and to the best of its knowledge, title to its properties are in good standing.

Nunavut Claims

The Company has a 100% interest in certain mineral claims in Nunavut, Canada. The claims are subject to a 2.5% gross overriding royalty. In 1998, the Company granted an option to acquire a 10% interest in the mineral claims to a former related party as consideration to postpone payment of a loan then outstanding and the advance of additional funds. The option is exercisable upon the optionee paying \$300,000 to the Company at the earlier of the claims being put into commercial production or December 31, 2020. If the option is exercised, the 10% interest will be converted into a 3% net smelter returns royalty in favour of the optionee upon the claims being put into commercial production.

During fiscal 2003, the Company entered into an option agreement with Anglo American (Canada) Ltd. ("AAEC") whereby AAEC could acquire an initial 51% interest in certain mineral claims of the Company by incurring exploration expenditures of \$11,500,000 before August 31, 2008 and a further 19% interest through additional funding of exploration and development work as well as a feasibility study.

In addition, the Company issued 2,777,778 units to AAEC for \$500,000. Each unit consisted of one common share and one share purchase warrant entitling AAEC to purchase one additional common share for \$0.25 until August 29, 2005. The proceeds from the private placement were applied towards AAEC's first year exploration commitment.

The Company has also obtained the agreement of holders of royalties and other similar interests in certain mineral claims of the Company for the sale of such interests to the Company in consideration of a future payment of \$2,000,000.

During fiscal 2004 AAEC terminated its option with the Company. The Company will retain all rights to the tenure of the mineral claims.

During fiscal 2004, the Company abandoned certain mineral claims and consequently, costs related to these claims, totalling \$469,674 (2003 - \$210,642), were written off to operations.

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2004

5. RESOURCE PROPERTIES (cont'd...)

Atlin Claims

On October 16, 2003, the Company agreed to an option agreement to purchase a 100% interest in certain mineral claims in the Atlin District of British Columbia. Terms of the option agreement are as follows:

- a) Pay \$140,000 upon execution of the option agreement (paid).
- b) Pay \$100,000 by April 1, 2004 (paid).
- c) Pay \$200,000 by October 1, 2004 (paid subsequent to year end).
- d) Pay \$250,000 by April 1, 2005.
- e) Pay \$250,000 by October 1, 2005.
- f) Pay \$250,000 by April 1, 2006.
- g) Pay \$200,000 by October 1, 2006.
- h) Pay \$400,000 by January 15, 2007.
- i) Pay \$200,000 by January 15, 2008, and each year to January 15, 2011 for total cash payments of \$2,590,000.

In addition, the Company was required to incur exploration expenditures totaling \$750,000 over three years (incurred). The optionor will retain a 1.5% net smelter returns royalty. The Company paid a finder's fee consisting of 200,000 common shares at a value of \$30,000 and cash of \$30,000. In addition, the Company paid other associated costs of \$10,000.

2004	Nunavut Claims	Atlin Claims	Total
Acquisition costs, beginning balance	\$ 5,837,554	\$ -	\$ 5,837,554
Additions during the year	<u>-</u>	<u>310,000</u>	<u>310,000</u>
Acquisition costs, ending balance	<u>5,837,554</u>	<u>310,000</u>	<u>6,147,554</u>
Deferred exploration costs, beginning balance	<u>11,126,099</u>	<u>-</u>	<u>11,126,099</u>
Additions during the year			
Camp maintenance	18,542	95,735	114,277
Drilling	327,750	474,518	802,268
Equipment rental	-	94,337	94,337
Expediting and freight	18,538	14,284	32,822
Geological and geochemical	80,104	336,058	416,162
Geophysics	-	48,199	48,199
Tenure and licenses	(18,867)	4,490	(14,377)
Travel and accommodation	-	61,568	61,568
Legal fees	-	7,059	7,059
Report writing	<u>4,897</u>	<u>3,293</u>	<u>8,190</u>
	<u>430,964</u>	<u>1,139,541</u>	<u>1,570,505</u>
Written-off during the year	<u>(469,674)</u>	<u>-</u>	<u>(469,674)</u>
Deferred exploration costs, ending balance	<u>11,087,389</u>	<u>1,139,541</u>	<u>12,226,930</u>
Total resource properties	<u>\$ 16,924,943</u>	<u>\$ 1,449,541</u>	<u>\$ 18,374,484</u>

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2004

5. RESOURCE PROPERTIES (cont'd...)

2003	Nunavut Claims	Atlin Claims	Total
Acquisition costs, beginning and ending balance	\$ 5,837,554	\$ -	\$ 5,837,554
Deferred exploration costs, beginning balance	11,103,124	-	11,103,124
Additions during the year			
Spectrum survey	25,621	-	25,621
Camp maintenance	86,868	-	86,868
Drilling	26,640	-	26,640
Equipment rental	383	-	383
Helicopter support	32,783	-	32,783
Geological and geochemical	5,100	-	5,100
Geophysics	25,338	-	25,338
Telecommunications	10,599	-	10,599
Tenure and licenses	400	-	400
Report writing	19,885	-	19,885
	233,617	-	233,617
Written-off during the year	(210,642)	-	(210,642)
Deferred exploration costs, ending balance	11,126,099	-	11,126,099
Total resource properties	\$ 16,963,653	\$ -	\$ 16,963,653

6. LOANS PAYABLE

	2004	2003
Loans payable were non-interest bearing and unsecured. Included in loans payable at August 31, 2003 was \$12,345 due to a director of the Company.	\$ -	\$ 22,693
Loan payable was due to a former related party and bore interest at prime rate plus 3% per annum.	-	649,846
	\$ -	\$ 672,539

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2004

7. INCOME TAXES

a) A reconciliation of income taxes at statutory rates is as follows:

	2004	2003
Loss before income taxes	\$ (1,528,888)	\$ (1,114,110)
Expected income tax recovery	\$ 544,590	\$ 396,848
Reduction in tax rate	-	201,181
Non-deductible expenses	(201,002)	(100,301)
Deductible expenses	87,674	-
Recognized benefits on non-capital losses	287,830	-
Total income tax recovery	\$ 719,092	\$ 497,728

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

	2004	2003
Future income tax assets		
Equipment	\$ 2,821	\$ 1,562
Share issue costs	188,656	75,789
Non-capital losses available for future periods	1,745,733	1,444,138
Gross future tax assets	1,937,210	1,521,489
Future income tax liabilities		
Resource properties	(4,013,962)	(4,317,333)
Net future income tax liability	\$ (2,076,752)	\$ (2,795,844)

The Company has non-capital losses of approximately \$4,900,000 which may be applied to reduce taxable income in future years. If not utilized, these losses expire through to 2014. The tax benefits of these non-capital losses and share issue costs have not been recognized in these consolidated financial statements except to the extent that they can be used to offset future income tax liabilities that existed at fiscal year end.

During the year ended August 31, 2003, the Company issued 2,489,999 units on a flow-through basis for gross proceeds of \$360,750. The flow-through agreement requires the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. Future income taxes of \$128,503 on the exploration expenditures to be renounced to shareholders were applied against capital stock.

As at August 31, 2003, \$328,173 of these proceeds from flow-through financing were classified as cash reserved for flow-through expenditures.

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2004

8. CAPITAL STOCK

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited number of voting common shares without par value			
Unlimited number of preferred shares, issuable in series			
Common shares issued			
Balance at August 31, 2002	28,754,584	\$ 14,271,518	\$ -
Private placements	20,711,277	2,616,740	-
Finders' fee	317,730	35,362	-
Share issuance costs	-	(87,542)	-
Future income taxes on exploration expenditures renounced to shareholders	-	(128,503)	-
Stock-based compensation	-	-	349,571
Balance at August 31, 2003	49,783,591	16,707,575	349,571
Private placements	28,196,667	5,247,000	-
Finder's fee on resource property	200,000	30,000	-
Warrants exercised	1,650,000	252,500	-
Finders' fee on private placement	50,000	7,500	-
Finders' fee on private placement	-	(7,500)	-
Fair value of warrants issued	-	(13,305)	13,305
Share issuance costs	-	(527,213)	-
Stock-based compensation	-	-	91,088
Balance at August 31, 2004	79,880,258	\$ 21,696,557	\$ 453,964

On December 12, 2003, the Company issued 21,413,334 units at a price of \$0.15 per unit for gross proceeds of \$3,212,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant will entitle the holder to purchase an additional common share at a price of \$0.18 per share on or before December 12, 2005. The Company paid fees of \$219,100 in cash, 50,000 units with the same terms as the private placement and 153,334 finders' fee share purchase warrants with the same terms as the private placement. The fair value of the share purchase warrants of \$11,239 was allocated to capital stock and contributed surplus.

On March 23, 2004, the Company issued 6,783,333 units at a price of \$0.30 per unit for gross proceeds of \$2,035,000. Each unit consisted of one common share and one half share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase an additional common share at a price of \$0.40 per share on or before March 23, 2006. The Company paid fees of \$168,043 in cash and 15,000 finder's fee share purchase warrants which entitles the holder to purchase an additional common share at a price of \$0.40 per share on or before March 23, 2006. The fair value of the share purchase warrants of \$2,066 was allocated to capital stock and contributed surplus.

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. CAPITAL STOCK (cont'd...)

The fair value of the finder's fee share purchase warrants was calculated using the Black-Scholes Option Pricing Model. The weighted average assumptions used were 2.27% to 3.11% for risk free interest rates, 2 years for the life of the warrants, 99.40% for annualized volatility and \$Nil for a dividend rate.

In addition, the Company paid other associated costs of \$140,070 relating to the private placements.

Warrants

Warrant transactions are summarized as follows:

	2004	2003
Balance, beginning of year	21,229,007	500,000
Issued	25,023,335	21,229,007
Exercised	(1,650,000)	-
Expired	-	(500,000)
Balance, end of year	44,602,342	21,229,007

The following warrants to acquire common shares were outstanding at August 31, 2004:

Number of Shares	Exercise Price	Expiry Date
9,148,000	\$ 0.15	August 29, 2005
4,508,230	0.20	August 29, 2005
2,777,778	0.25	August 29, 2005
3,144,999	0.20	August 29, 2005
21,616,668	0.18	December 12, 2005
3,406,667	0.40	March 23, 2006

The beginning balance of 21,229,007 warrants was due to expire during the current year. The expiration date for all of these warrants was extended to August 29, 2005.

Stock options

The Company has an incentive stock option plan in place 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 shares of the Company. The options can be granted for a maximum term of 5 years.

MUSKOX MINERALS CORP.
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8. CAPITAL STOCK (cont'd...)

Stock options (cont'd...)

	Number of Shares		Weighted Average Exercise Price
Outstanding and exercisable at August 31, 2002	2,805,000	\$	0.28
Granted	2,595,000		0.25
Cancelled	<u>(450,000)</u>		0.28
Outstanding and exercisable at August 31, 2003	4,950,000		0.26
Granted	700,000		0.24
Cancelled	<u>(350,000)</u>		0.28
Outstanding and exercisable at August 31, 2004	5,300,000	\$	0.26
Weighted average fair value of options granted during fiscal 2004 and 2003	\$ 0.13	\$	0.14

The following stock options were outstanding at August 31, 2004:

Number of Shares	Exercise Price	Expiry Date
875,000	\$ 0.28	November 19, 2004 (expired unexercised)
625,000	0.28	October 20, 2005
505,000	0.28	January 25, 2007
650,000	0.28	July 24, 2008
1,945,000	0.24	August 18, 2008
700,000	0.24	February 12, 2009

Stock-based compensation

The total stock-based compensation recognized for stock options granted under the fair value method was \$91,088 (2003 - \$349,571) using the Black-Scholes Option Pricing Model.

MUSKOX MINERALS CORP.
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8. CAPITAL STOCK (cont'd...)

Stock-based compensation (cont'd...)

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

	2004	2003
Risk-free interest rate	3.33%	2.94%
Expected life of options	2 to 5 years	2 years
Annualized volatility	99.40%	124.19%
Dividend rate	0.00%	0.00%

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$26,038 (2003 - \$49,485) in interest expense to a trust associated with a former director of the Company (Note 6).
- b) Paid or accrued \$179,000 (2003 - \$104,000) in management fees to directors.

Included in accounts payable and accrued liabilities as at August 31, 2004 is \$Nil (2003 - \$12,655) due to directors for management fees.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2004	2003
Cash paid during the year for interest	\$ 175,884	\$ 36,801
Cash paid during the year for income taxes	-	-

The significant non-cash transactions for the year ended August 31, 2004 included:

- a) The issuance of 200,000 common shares at a value for \$30,000 for a finder's fee relating to the Atlin claims option agreement (Note 5).
- b) The issuance of 168,334 warrants at a fair value of \$13,305 for finders' fees in connection with private placements (Note 8). This amount is reflected in capital stock and contributed surplus.
- c) The issuance of 50,000 units at a value of \$7,500 as fees in connection with a private placement (Note 8).

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2004

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

The significant non-cash transaction for the year ended August 31, 2003 consisted of the issuance of 228,000 units at a value of \$22,800, 89,730 units at a value of \$12,562 and 200,000 warrants at a value of \$Nil as finders' fees, in connection with the private placements.

11. SEGMENTED INFORMATION

The Company currently conducts substantially all of its operations in Canada in one business segment being the exploration and development of resource properties.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, restricted cash, short-term investment, receivables, accounts payable and accrued liabilities and loans payable. In management's opinion, 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.

The Company has its cash and equivalents in primarily one commercial bank in Calgary, Alberta, Canada.

Cash and equivalents and short-term investments are not subject to currency risk. The Company does not believe it is subject to any significant credit risk although cash and equivalents and short-term investments are held in excess of federally insured limits, with a major financial institution.

13. SUBSEQUENT EVENTS

Subsequent to August 31, 2004, the Company:

- a) Cancelled 400,000 stock options held by a director who resigned on August 31, 2004.
- b) Granted 350,000 stock options to a director at an exercise price of \$0.24 expiring on September 14, 2009.
- c) Granted 350,000 stock options to a consultant at an exercise price of \$0.24 expiring on October 15, 2009.

MUSKOX MINERALS CORP.
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31ST 2004

The following discussion and analysis of the operations, results and financial position of MuskoX Minerals Corp. (the "Company" or "MuskoX") for the year ended August 31, 2004 should be read in conjunction with the August 31, 2004 Audited Financial Statements and related notes. The effective date of this report is January 12, 2004.

Forward-Looking Statements

Except for historical information, the Management Discussion and Analysis may contain forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Current Operations

The Company is a natural resources company involved in the acquisition and exploration of precious-metal mineral properties. The present focus of its operations is gold exploration in the Atlin District of northern British Columbia. The company has the option to acquire 100% of a claims block (the "Pine Creek Property") in the Pine Creek area where bedrock gold-silver deposits occur below gold-rich placer gravels. The option agreement, as described below, allows for the Company to be the operator for the project.

In Nunavut, northern Canada the Company's wholly-owned subsidiary MuskoX Holdings Ltd., holds mineral claims comprising the mineral tenure to the MuskoX Intrusion. The Intrusion is a layered mafic/ultramafic igneous complex of similar composition and geological environment to other intrusions which host large nickel + copper + platinum +palladium deposits.

The Company has been actively exploring the property since 1996. Work to date has included extensive geophysical surveys, geological mapping, geochemical sampling, and diamond drilling. Results to date are encouraging and further exploration work is warranted. The Company had joint ventured the property with Anglo American Exploration (Canada) Ltd. (AAEC). AAEC was the operator for the project and incurred all on-going exploration and property maintenance costs as outlined in the option agreement described below. On May 26, 2004 the Company announced the AAEC had terminated the Option Agreement and the Company now retains 100% of the mineral properties in Nunavut.

The Company is currently listed as a Tier 1 company of the TSX-V and is in good standing.

Results of Operations

1) The Atlin Project

Under the Option Agreement dated October 16, 2003, MuskoX may earn a 100% interest in the Atlin Property by making cash payments totaling \$2,590,000 over the 7 years ending January 15, 2011, and expending a minimum of \$250,000 in exploration work per year for the first three years, for a total of \$750,000. MuskoX has paid the initial \$140,000 upon the signing of the Option Agreement and has made two subsequent property payments totaling \$300,000. The next payment of \$250,000 is due on April 1, 2005. MuskoX can choose to accelerate the cash payments to exercise the Option early, without penalty. Once the Option is exercised, the Property will be subject to a 1.5% NSR Royalty.

As of the date of this report, the Company has met all obligations for the exploration work requirements for the full three years (\$750,000).

The Pine Creek Project is within a geologic environment similar to those hosting rich gold deposits such as those in the Motherlode district of California and in the prolific Bralorne Mine area of Southern British Columbia. Gold in these areas is associated with the listwanitic (carbonate-quartz-mariposite) alteration of ultramafic ophiolitic rocks. The association of listwanitic rocks with the placer gold deposits of the Atlin area resulted in exploration of the area from 1987 to 1989 by Homestake Minerals Corporation.

Exploration Progress

In December 2003 a drill was mobilized on site and a 2 hole short program commenced on the Pine Creek Property prior to the Christmas break. The primary objective of these holes was to verify information which was gathered by Homestake Mining during the period 1986-88.

In February 2004, Muskox initiated a drill program on the Pine Creek Property. The program first continued the objective of the December drilling program being designed to verify information gathered by Homestake Mining during the period 1986-88. The second phase of this drill program was based upon the results of Muskox's initial exploration programs, combined with pre-existing data which the Company has translated into digital format.

At the end of the second Phase, Muskox had drilled a total of 1059.3 metres in holes YJ-03-01 to YJ-04-12 in 14 holes on the Pine Creek Property. These holes were drilled using NQ drill rods. Some exceptional grades of gold mineralization were encountered in several drill holes (see following table).

HOLE #	LOCATION	FROM (m)	TO (m)	WIDTH (m)	GOLD (g/t)
YJ03-01	West Zone	19.51	13.95	5.56	513.5
		22.87	21.96	0.91	21.06
		26.52	25.00	1.52	40.42
		39.02	35.97	3.05	34.81
		44.21	42.99	1.22	57.88
YJ03-02	Main Zone	50.30	50.91	0.61	16.28
YJ04-01	Main Zone	49.30	50.20	0.90	4.72
		And 92.50	93.00	0.50	128.15
YJ04-02	Main Zone	63.10	63.70	0.60	7.08
YJ04-03	Main Zone	36.40	36.90	0.50	4.22
		And 44.15	44.35	0.20	14.79
		And 45.02	45.70	0.68	11.66
YJ04-07	West Zone	24.47	24.97	0.50	6.75
		And 38.66	39.16	0.50	24.61
		And 48.85	54.45	6.10	40.10
		Including 48.35	49.35	1.00	6.96
		And 50.35	50.90	0.55	5.38
		And 53.40	53.71	0.31	588.87
And	53.95	54.45	0.50	98.85	

The third Phase of the diamond drill program on the Pine Creek Property was designed to test along-strike and down-dip continuity of the mineralized structures identified in the earlier phases. A larger drill was brought on site to increase recovery rates from the drilling. The Company drilled HQ core. Data from the old Homestake drill holes were combined with the initial Muskox drill results and the mineralized zones have been re-modeled.

Results from the Phase III drilling program showed that the main drill target remains the steeply dipping fault zone trending along the Pine Creek valley, thought to be the source of the very rich placer gold channel. The fault structure, with its associated listwanite alteration and quartz veining, returned very high gold values in previous drilling. New computer modeling revealed 3 sub-parallel mineralized bands located within the fault zone and new diamond-drill holes were planned to test these features.

Subsequent to the year ended August 31, 2004, on November 15, 2004, the Company released additional assay results from its summer and fall 2004 diamond drill program on the company's property. In the latest phase of drilling, 21 holes (YJ04-13 to YJ04-33) have been completed, with 2,874 metres of HQ core.

Previously, the company reported bonanza grade gold intersections of 513.5 grams per tonne (g/t) over 5.56 metres in drill hole YJ03-01 and 128.15 g/t over 0.5 metre in drill hole YJ04-01. The phase III drill program tested 310 metres of the two-kilometre-plus strike length. Drill holes YJ04-20 and YJ04-22 are step-outs to the east from the initial bonanza grade holes and have returned 142.4 g/t gold over 1.0 metres and 156.9 g/t gold over 0.5 metre, respectively. Drill hole YJ04-29 is a westerly step-out from the prior drilling and returned 119.6 g/t gold over 0.5 metre.

The following table summarizes the high-grade gold intersections from the third phase of the 2004 drill program. For holes YJ04-17 to YJ04-26, the total gold assay values are listed as well as the gold assay of the coarse fraction (+150 mesh). The total gold value is obtained by weighted averaging of the coarse and fine fractions. The coarser fraction is reported here in order to illustrate the coarse nature of the gold mineralization at Pine Creek Property and hence to show the "nugget effect." Only partial results for hole YJ04-29 have been returned, the remainder of results are still pending.

RECENT HIGH-GRADE GOLD INTERSECTIONS FROM PHASE III DRILLING

Hole No.	From (m)	To (m)	Gold (g/t)	Coarse Total fraction gold (g/t)
YJ04-16	110.20	111.20	2.03	
YJ04-17	32.60	33.60	9.99	
incl.	33.10	33.60	19.41	138.37
	49.70	50.54	4.02	
incl.	50.11	50.54	5.96	26.11
YJ04-18	93.00	97.00	3.28	
incl.	95.00	96.00	5.56	17.93
YJ04-20	80.00	81.00	4.49	17.26
	89.00	91.00	4.83	
incl.	90.00	91.00	7.57	48.97
YJ04-20	105.00	114.00	1.48	
incl.	107.00	108.00	7.12	129.16
	137.00	141.00	36.16	
incl.	140.00	141.00	142.40	938.95
YJ04-21	41.75	42.75	14.30	
	73.50	74.00	4.42	19.69
	79.00	79.50	5.49	69.18
	102.90	103.40	3.89	12.77
YJ04-22	29.57	32.00	8.01	
incl.	31.50	32.00	16.19	135.06
	73.76	74.25	5.12	5.26
	106.80	108.30	52.94	
incl.	106.80	107.30	156.95	1,525.04
YJ04-24	109.00	118.50	1.75	
incl.	118.00	118.50	6.93	37.30
YJ04-26	59.00	61.25	3.27	
incl.	59.00	59.50	6.02	44.80

Hole No.	From (m)	To (m)	Gold (g/t)	Coarse Total fraction gold (g/t)
YJ04-27	57.65	58.15	4.13	
	64.15	70.50	4.20	
incl.	68.85	69.35	22.43	
	115.64	116.15	3.84	
YJ04-29	68.50	69.	119.62	
	137.00	137.50	3.92	
	179.00	185.00	2.64	
	196.00	197.00	5.18	

The current drill program continued throughout the remainder of 2004, with the intention of further developing the Yellowjacket zone and also completing step-out drilling along strike to test for new zones and the continuity of the main zone. Hole layout consists of fences of drill holes along the length of the main zone, these being set up at average 30 metre spacings. These holes will be angled in a northerly direction in order to best cut the main southerly dipping fault zone. Additional holes will be drilled along the strike of the fault zone in areas where cross structures are believed to be located and have potentials for the concentration of gold mineralization.

As of the date of this report, a total of 39 drill holes have been completed to date.

The Company also completed 820 kilometres of airborne geophysical surveying on the Pine Creek Property. Plots of resistivity and magnetics outline the main fault zone, which hosts the Yellowjacket mineralization and reveals numerous subparallel and cross-cutting features related to this mineralized structure. Several of these geophysical features will be diamond drill tested in order to understand their relationship to the high-grade gold values encountered along the main fault feature.

On-Going Exploration and Development

Over 350 metres of strike length in the mineralized zone has been drill tested along the favourable Pine Creek fault structure. Visible gold is now being intersected on a regular basis as the orientations of several distinct gold bearing zones within the Yellowjacket zone have been identified and are becoming better understood. The data from continued drill testing have enlarged the Yellowjacket zone and are being used to generate a preliminary resource model, the results of which will be released once sufficient assay data are returned. The mineralized zones are open at depth and laterally in both directions along strike; to date each new step-out has resulted in additional gold intersections. The process of permitting for bulk sampling and identifying the zones for bulk testing has been initiated; the progress will be reported over the coming months.

In addition to gold, a number of geochemical pathfinder elements have been detected in key lithological units within the Yellowjacket structure. The importance of these pathfinders is key in mapping out the zones that are gold bearing. As a result of the "nugget effect", gold is unevenly distributed within the mineralized zone, but the pathfinders directly associated with gold have the characteristic of being normally distributed. Vulcan mine modelling software package is being used by the Company to create a model that maps these pathfinder zones to better delineate the true size and extent of the gold bearing horizons.

With the data collected to date, along with the geophysical survey results and the new pathfinder models, management is further advancing its study of the economic viability of the Yellowjacket zone.

The objective of the continuing diamond drill program through 2004 is to further develop and add to the continuity of structures and lithologies hosting alteration, quartz veining and high-grade gold mineralization within the Yellowjacket property. Exploration along strike in both directions will also be undertaken, in an effort to expand the volume of gold mineralization along the two-kilometre fault zone.

Once the current drill program is completed, the size and orientation of the mineralized zone(s) will be better defined, allowing for preliminary resource calculations to be conducted in order to ascertain the economic viability of the project. These studies will also assist in directing future programs toward increasing economically viable tonnages.

2) The Muskox Intrusion

Exploration Progress

A 1987 line-kilometer Spectrem airborne survey was completed by AAEC over the main outcropping body of the Muskox Intrusion. Spectrem is a high-powered electromagnetic (EM) geophysical system proprietary to AAEC which is employed to detect electrically conductive sulphide bodies. Spectrem's lower frequency and higher signal strength, compared to conventional EM systems, give it the capability of probing deeper into the Intrusion to depths greater than 300m and with a high degree of precision than the previously utilized ground geophysical methods.

On-site geological and geophysical surveys of the Muskox Intrusion were performed by the AAEC crews and interpretation of data from the Spectrem airborne geophysical survey was completed.

AAEC completed their field program which included the Spectrum airborne geophysical survey, geological, ground geophysical surveys, geochemical soil sampling and drilling programs. The focus of the latter programs was on areas of interest defined by positive data acquired during the Spectrem airborne geophysical survey. The geochemical soil survey collected 965 samples for analysis with a view to better target definition.

Results of the initial phase of Spectrem geophysical data interpretation resulted in the rapid identification of 21 conductive targets of interest which resulted in a total of 1,501.14 m of NQ core drilled in 6 diamond drill holes.

In November, 2003, AAEC released preliminary results and final assays on their Muskox Intrusion field exploration program conducted during August and September, 2003.

During the last week of March 2004, AAEC mobilized field personnel to its camp on the Muskox Layered Intrusion to complete a pulse EM (electromagnetic) ground geophysical survey over a target which has been identified in the area of the Canoe Lake Fault in the northwestern part of Muskox Intrusion.

During the first week of April a drill crew was mobilized to the intrusion for the purposes of drilling 2 diamond-drill holes in order to immediately test the aforementioned Canoe Lake target.

The short drill program consisting of testing two specific targets (approximately 600m of drilling) in the Canoe Lake Fault Block area on the western side of the Muskox Intrusion. The first drill target tested a geophysical anomaly located approximately 400 metres north of the MX03-001 drill hole, where assay results were returned from sulphidic veins within footwall paragneisses (1.22% Ni, 0.76% Cu, 1,782.9 ppb Pt+Pd+Au in an intersect of 0.61m containing approximately 6% S).

The conductive anomaly, which is interpreted to occur within a magnetically modeled/defined trough-like structure at the base of this part of the Muskox Intrusion, has been well delineated at surface by a recently completed pulse EM geophysical survey.

The second drill target is located approximately 600m north of MX04-001 along the same geophysical conductive trend. As with the first target, this geophysical anomaly is interpreted to occur at the base of this portion of the Muskox Intrusion and was detected by the 2003 Spectrem survey and by a surface geophysical survey. This target is also overlain by a Ni, Cu, Co, PGE soil geochemical anomaly.

On May 26, 2004 the Company announced that the Option/Joint Venture Agreement with AAEC has been terminated in its entirety. As per the Agreement, Muskox will retain all rights to the tenure of the Muskox Intrusion Project.

Exploration expenditures by AAEC exceeded \$ 2.5 million. The exploration program conducted over two years included integration of existing data sets from previous programs conducted by Muskox, a regional Spectrem airborne survey, soil geochemistry, ground UTEM and PEM surveys over specific targets on the western and eastern margins of the Intrusion.

The collection and compilation of data resulted in the identification of numerous drill targets throughout the Intrusion, of these targets, AAEC tested eight, with priority given to those strongly associated with high nickel values in soils and/or conductors from the Spectrem survey. Three of the eight holes drilled were located in the Canoe Lake fault region on the western margin.

The drilling of the 6 holes in 2003 and 2 in April/May 2004 totaled 2,030.58 meters. Downhole geophysics was conducted

Liquidity and Capital Resources

The Company has \$2,569,820 in Current Assets as of August 31, 2004, and \$85,812 in Current Liabilities, yielding a positive working capital of \$2,484,008. The Company is in a healthy position regarding its working capital position, and also has warrants outstanding that could bring in additional funding. The exercise of these warrants are dependant on the Company's stock price. The Company will continue to look at equity private placement opportunities for sufficient proceeds to fund ongoing exploration work on its' properties and to provide sufficient working capital to otherwise maintain operations and satisfy its general and administrative expenses over the medium term.

During the year ended August 31, 2004, the following financings were completed:

Date of Issue	Type of Security	Type of Issue	Number	Price	Total Proceeds	Commissions Paid
December 9, 2003	Units ⁽¹⁾	Private placement	21,413,333	\$ 0.15	\$ 3,212,000	\$ 219,100
December 9, 2003	Units ⁽¹⁾	Finder's Fee	50,000	\$ 0.15	N/A	N/A
December 9, 2003	Warrants ⁽²⁾	Finder's Fee	153,334	\$ 0.18	N/A	N/A
February 25, 2004	Common Shares	Exercise of Warrants	200,000	\$ 0.15	\$ 30,000	nil
March 23, 2004	Units ⁽³⁾	Private placement	6,783,333	\$ 0.30	\$ 2,035,000	\$ 167,875
March 23, 2004	Warrants ⁽⁴⁾	Finder's Fee	15,000	0.40	N/A	N/A
March 12, 2004	Common Shares	Exercise of Warrants	150,000	0.15	\$ 22,500	nil
March 19, 2004	Common Shares	Exercise of Warrants	200,000	0.15	\$ 30,000	nil
April 1, 2004	Common Shares	Exercise of Warrants	100,000	0.20	\$ 20,000	nil
April 23, 2004	Common Shares	Exercise of Warrants	1,000,000	0.15	\$ 150,000	nil

⁽¹⁾ Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at an exercise price of \$0.18 up to a period of two years.

⁽²⁾ Each warrant entitles the holder to purchase one common share at a price of \$0.20 up to a period of one year.

⁽³⁾ Each unit consists of one common share and one half share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at an exercise price of \$0.40 on or before the Eighteenth (18) month anniversary of the closing of the private placement.

⁽⁴⁾ Each warrant entitles the holder to purchase one common share at a price of \$0.40 on or before the Eighteenth (18) month anniversary of the closing of the private placement.

The Company's financial commitments for fiscal 2005 are the property payments under the joint venture agreement on the Pine Creek Property in Atlin, BC. This commitment is \$450,000. At the time of this report, \$200,000 has been paid leaving a fiscal 2005 financial commitment of \$250,000.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements made by the Company.

Transactions with Related Parties

The Company paid \$175,884 (2003 - \$49,485) in interest expense associated with a \$500,000 loan which has now been paid back. The loan payable was due to a former related party and repayable on demand after December 31, 2001. The debt bears interest at prime rate plus 3% per annum and is secured by the assets of the Company. As consideration for the agreement to postpone payment of the loan and to advance additional funds subsequent to October 31, 1998, the Company agreed to grant the lender an option to acquire a 10% interest in the resource properties described in Note 5 of the August 31, 2004 year end financial statements. This debt was paid in full during this the year ended August 31, 2004. Payment included \$500,000 for the original loan and \$175,884 of accrued interest.

The Company incurred Consulting Fees of \$59,500, and Management Fees due to Officers of the Company for work related to the Company in the amount of \$179,000.

Proposed Transactions

Subsequent to the year ended August 31, 2004 the Company announce a convertible debenture financing of \$1,400,000. This debt financing is still underway as at the date of this report.

Changes in Accounting Policies

Effective September 1, 2002, the Company adopted CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" "HB3870" which recommends the fair value-based methodology for measuring compensation costs. HB3870 also permits, and the Company has adopted, the use of the intrinsic value-based method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at date of grant, but requires pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted. Any consideration paid by the option holders to purchase shares is credited to capital stock. Under the new recommendations, the Company recognizes compensation costs for the granting of all stock options and direct awards of stock.

Financial Instruments

The Company's financial instruments consist of cash and equivalents, restricted cash, short-term investment, receivables, accounts payable and accrued liabilities and loans payable. In management's opinion, 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.

Additional Disclosure for Venture Issuers without Significant Revenue

	Aug. 31, 2004	Aug. 31, 2003	Aug. 31, 2002
Capitalized exploration and development cost	\$1,570,505	\$233,617	\$1,785,922
Expensed research and development cost	nil	nil	nil
Deferred development cost	nil	nil	nil
General and administration cost	\$1,092,698	\$ 928,767	\$ 794,264
Material cost (gain) not referred to above	(\$282,902)	\$312,385	(\$794,264)

Disclosure of Share Data

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited number of voting common shares without par value			
Unlimited number of preferred shares, issuable in series			
Issued			
Balance at August 31, 2001	27,954,584	\$ 14,101,614	
Private placements	800,000	200,000	
Future income taxes on exploration expenditures renounced to shareholders	-	(30,096)	
Balance at August 31, 2002	28,754,584	\$ 14,271,518	\$ -
Private placements	20,711,277	2,616,740	-
Finders' fee	317,730	35,362	-
Share issuance costs	-	(87,542)	-
Future income taxes on exploration expenditures renounced to shareholders	-	(128,503)	-
Stock-based compensation	-	-	349,571
Balance at August 31, 2003	49,783,591	16,707,575	349,571
Private placements	28,196,667	5,247,000	-
Finder's fee on resource property	200,000	30,000	-
Warrants exercised	1,650,000	252,500	-
Finders' fee on private placement	50,000	7,500	-
Finders' fee on private placement	-	(7,500)	-
Fair value of warrants issued	-	(13,305)	13,305
Share issuance costs	-	(527,213)	-
Stock-based compensation	-	-	91,088
Balance at August 31, 2004	79,880,258	\$ 21,696,557	\$ 453,964

Summary of warrants outstanding as of August 31, 2004:

Number of Shares	Exercise Price	Expiry Date
9,148,000	\$ 0.15	August 25, 2005
4,508,230	0.20	August 12, 2004
2,777,778	0.25	August 18, 2004
3,144,999	0.20	August 28, 2004
21,616,668	0.18	December 12, 2005
3,406,667	0.40	March 23, 2006

Summary of options outstanding as of August 31, 2004:

	Number of Shares	Weighted Average Exercise Price
Outstanding and exercisable at August 31, 2001	1,975,000	\$ 1.81
Reprised		-1.53
Granted	835,000	0.28
Cancelled	(5,000)	0.28
Outstanding and exercisable at August 31, 2002	2,805,000	0.28
Granted	2,595,000	0.25
Cancelled	(450,000)	0.28
Outstanding and exercisable at August 31, 2003	4,950,000	\$ 0.26
Granted	700,000	0.24
Cancelled	(350,000)	0.28
Outstanding and exercisable at August 31, 2004	5,300,000	\$ 0.26

Subsequent to Year Ended August 31, 2004, 875,000 options priced at \$0.28 and 400,000 options at \$0.24 expired unexercised.

SEDAR

Additional information relating to the Company is on SEDAR at www.sedar.com.

Qualified Person

Dr. Roger Morton P.Geol (Alberta), Chairman, President and Director of the Company, is the qualified person as defined in National Instrument 43-101 who has reviewed and verified the scientific and technical mining disclosure contained in this Management Discussion and Analysis.