

**TWIGG & COMPANY**

CHARTERED ACCOUNTANTS

**J.S. TWIGG** *B.Comm., C.A.*

**L.D. SAFINUK** *B. Comm., C.A.*

650 REGENCY CENTER  
333 - 25th STREET EAST  
SASKATOON S7K 0L4

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TELEPHONE (306) 244-0808

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**JNR RESOURCES INC.**

**Review Engagement Report and Financial Statements**

**for the quarter ended October 31, 2004**

# **TWIGG & COMPANY**

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## **REVIEW ENGAGEMENT REPORT**

### **TO THE DIRECTORS OF JNR RESOURCES INC.**

We have reviewed the balance sheet of JNR Resources Inc. as at October 31, 2004 and the statement of operations and deficit and cash flows and the schedule of deferred exploration for the quarter then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not in all material respects in accordance with Canadian generally accepted accounting principles.

*“Twigg & Company”*

**Saskatoon, Saskatchewan  
December 20, 2004**

**Chartered Accountants**

**JNR RESOURCES INC.  
BALANCE SHEET AS AT OCTOBER 31, 2004**

	<b>October 31 2004</b>	<b>January 31 2004</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 806,550	\$ 633,019
Term certificate (Note 4)	3,000,000	
Accounts receivable	16,816	
Marketable securities	9,000	6,500
Prepaid expense	15,776	
	3,848,142	639,519
<b>Capital assets (Note 3)</b>	38,355	5,446
<b>Deferred exploration costs (Note 3 &amp; 5)</b>	3,505,337	3,409,711
<b>Mineral properties and rights (Note 3 &amp; 5)</b>	240,792	132,060
	\$ 7,632,626	\$ 4,186,736
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 42,590	\$ 36,700
Due to a director	5,000	10,945
Taxes payable	2,372	75,745
	49,962	123,390
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7 & 8)	15,301,509	11,679,973
Contributed surplus	652,232	233,132
Deficit	(8,371,077)	(7,849,759)
	7,582,664	4,063,346
	\$ 7,632,626	\$ 4,186,736

Prepared without audit

See accompanying notes

Approved by the Board:

*“Richard T Kusmirski”*

Director

*“Tracey Hurly”*

Director

**JNR RESOURCES INC.**

**STATEMENTS OF OPERATIONS AND DEFICIT**

**FOR THE QUARTER ENDED OCTOBER 31, 2004**

	Three months ended October 31		Nine months ended October 31	
	2004	2003	2004	2003
<b>Administration costs</b>				
Amortization	\$ 1,994	\$	\$ 4,028	\$
Bank and loan interest	72	27	560	231
Consulting	5,612		14,312	
Dues and memberships	10,002		13,544	
Equipment lease	1,774		2,587	
Filing fees	1,612	663	6,632	4,178
General meeting			5,751	
Insurance	3,400		3,400	
Management fees	15,000	13,500	45,000	34,500
Office expense	1,698	1,429	6,416	1,455
Premises rent	5,441		8,784	
Professional fees	8,976	6,274	33,273	11,915
Recoverable field expense	22,120		22,120	
Shareholder communication	769	(674)	2,925	9,626
Stock compensation			419,100	
Telecommunications	1,306		3,932	
Transfer agent	3,543	3,419	8,526	6,775
Travel and accommodation	3,752		12,929	1,748
Wages and benefits	2,123	(70)	2,123	(70)
	89,194	24,568	615,942	70,358
Camp and equipment rent	(68,300)		(68,300)	
Interest income	(24,170)		(26,324)	(105)
<b>Total costs for the period</b>	<b>(3,276)</b>	<b>24,568</b>	<b>521,318</b>	<b>70,253</b>
<b>Deficit, beginning of the period</b>	<b>8,374,353</b>	<b>6,103,184</b>	<b>7,849,759</b>	<b>6,057,499</b>
<b>Deficit, end of period</b>	<b>\$ 8,371,077</b>	<b>\$ 6,127,752</b>	<b>\$ 8,371,077</b>	<b>\$ 6,127,752</b>
<b>Basic Loss per share (Note 3)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>

Prepared without audit

**JNR RESOURCES INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE QUARTER ENDED OCTOBER, 2004**

	<b>Three months ended October 31</b>		<b>Nine months ended October 31</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Cash flows from (used in) operating activities</b>				
Net income (loss) for the period	\$ 3,276	\$ (24,568)	\$ (521,318)	\$ (70,253)
Items not involving cash				
Stock based compensation expense			419,100	
Amortization	1,994		4,028	
	5,270	(24,568)	(98,190)	(70,253)
<b>Cash provided by (invested in) non-cash working capital</b>				
Decrease (increase) in term certificate	(1,000,000)		(3,000,000)	
Decrease (increase) in marketable securities			(2,500)	
Decrease (increase) in accounts receivable	660	(3,598)	(16,815)	(6,870)
Decrease (increase) in prepaids	(8,384)	22,624	(15,776)	(6,290)
Increase (decrease) in accounts payable And accrued liabilities	3,737	22,608	5,890	39,848
Increase (decrease) in taxes payable	(19,998)		(73,373)	
Increase (decrease) in due to director	5,000	(17,500)	(5,945)	(13,255)
	(1,013,715)	(434)	(3,206,709)	(56,820)
<b>Cash flows from (used in) financing activities</b>				
Issuance of share capital	469,565	22,500	3,621,536	102,500
	469,565	22,500	3,621,536	102,500
<b>Cash flows from (used in) investing activities</b>				
Mineral properties and rights	(27,251)		(108,733)	
Deferred exploration expenses	(39,608)	(7,499)	(95,626)	(18,965)
Acquisition of capital assets	(6,027)	(1,843)	(36,937)	(1,842)
	(72,886)	(9,342)	(241,296)	(20,807)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>( 617,036)</b>	<b>12,724</b>	<b>173,531</b>	<b>24,873</b>
Cash and cash equivalents, beginning of period	1,423,586	18,072	633,019	5,923
Cash and cash equivalents, end of period	\$ 806,550	\$ 30,796	\$ 806,550	\$ 30,796

Prepared without audit

# **JNR RESOURCES INC.**

## **Notes to Financial Statements October 31, 2004**

### **1. Going Concern**

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than normal course of business and at amounts which may differ from those shown in the financial statements. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional equity financing and achieve future profitable operations.

### **2. Nature of Operations**

The Company, directly and through joint ventures, is in the process of exploring its mineral properties and has not determined whether these properties contain ore reserves which are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production from the properties or proceeds from disposition.

Ownership in mineral interest 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 interest. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

### **3. Significant Accounting Policies**

#### Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of asset and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

#### Mineral Properties and Rights

The Company follows the accepted accounting practice of capitalizing acquisition, exploration and development costs applicable to properties held. If the properties become productive the costs will be amortized over the anticipated production of the property. If the property is abandoned, the applicable costs will be written off.

Prepared without audit

**JNR RESOURCES INC.**

## Notes to Financial Statements October 31, 2004

### 3. Significant Accounting Policies - continued

Depletion of costs capitalized to properties will be recorded using the unit of production method based on estimated proven reserves as determined by independent engineers.

Management has determined each property or project to be a cost centre.

The costs capitalized represent those costs incurred to date and do not necessarily reflect present or future values.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as a resource property costs or recoveries when the payments are made or received.

#### Capital Assets

Capital assets are recorded at cost and amortized on a declining balance basis at the following annual rates:

Computer	30%
Equipment	20%
Automotive	30%

#### Cash Equivalents

Cash equivalents usually consist of highly liquid investments which are readily convertible into cash with maturities of 3 months or less when purchased.

#### Income Taxes

Income taxes are accounted for using the assets and liability method pursuant to Section 3465. of the Handbook of the Canadian Institute of Chartered Accountants. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, Section 3465 requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

#### Stock-based Compensation Plan

Effective February 1, 2003, the Company adopted a new standard for the accounting for *Stock-based and other stock-based payments* ("CICA 3870), as recommended by the Canadian Institute of Chartered Accountants.

Prepared without audit

**JNR RESOURCES INC.**

## Notes to Financial Statements October 31, 2004

### 3. Significant Accounting Policies - continued

As permitted by CICA 3870, the Company has applied the new recommendation prospectively only to awards granted on or after February 1, 2003. For stock options awards granted and all direct awards of stocks, the Company applies the fair value method. The fair value of stock options is determined by the *Black-Scholes Option Pricing Model* with assumptions for: weighted average risk-free interest rates; dividend yields; weighted-average volatility factors of the expected market price of the Company's Common Shares; and a weighted average expected life of the options. The fair value of direct awards of stocks is determined by the quoted market price of the Company's stock.

#### Basic and Diluted Loss Per Share

Loss per share amounts have been calculated and presented in accordance with the new recommendation of the Canadian Institute of Chartered Accountants. The new standard has been applied on a retroactive basis and had no impact on the amounts previously reported.

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to Common Shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

### 4. Term Certificate

The Company has invested their temporary excess funds into a Guaranteed Investment Certificate at the Royal Bank earning interest at 2.4% and maturing on January 24, 2005 and April 18, 2005.

### 5. Mineral Properties and Rights

The Company has acquired certain mineral properties and rights, the costs of which are as follows:

<u>Property</u>	<u>Property Costs</u>	<u>Deferred Exploration Costs</u>	<u>Total October 31 2004</u>	<u>Total January 31 2004</u>
North Athabasca Project	\$ 6,346	332,152	338,498	\$ 333,698
Greywacke Project	3,093	259	3,352	3,352
Moore Lake Project	72,684	2,390,871	2,463,555	2,384,259
Lazy Edward Bay Project	27,256	773,225	800,481	797,781
Bell Lake Project	22,681	300	22,981	22,681
South Cigar	9,275	300	9,575	
Black Lake	54,035	2,530	56,565	
Pendleton Lake		4,500	4,500	
Crackingstone	29,200	600	29,800	
Way Lake	16,222	600	16,822	
	<u>\$ 240,792</u>	<u>3,505,337</u>	<u>3,746,129</u>	<u>\$ 3,541,771</u>

Prepared without audit

**JNR RESOURCES INC.**

## **Notes to Financial Statements**

### **October 31, 2004**

#### **5. Mineral Properties and Rights – Continued**

##### **A. North Athabasca Project**

A 50% interest in CBS 8175, situated north of the Pine Channel of Lake Athabasca, Saskatchewan. To October 31, 2004 the Company has expended \$6,346 on acquisition costs and \$332,152 on exploration of the property.

##### **B. Greywacke Project**

In May, 2001, the Company and Shane Resources Ltd. ("Shane") jointly acquired by staking 4 mineral claims in the Dickens Lake area of Northern Saskatchewan, the Greywacke Project pursuant to an agreement dated May 22, 2001, the Company and Shane entered into an option agreement granting to Masuparia Gold Corp. ("Masuparia") the right to earn an interest of up to 70% in the Company's and Shane's property known as the Greywacke Project. Under the agreement, Masuparia may earn a 51% interest in the two claims by making a property payment of \$10,000 (made), expending an aggregate \$850,000 on exploration of the claims by May 25, 2005, and issuing an aggregate 500,000 common shares, staged against exploration, by May 25, 2005. Thereafter, Masuparia may increase its interest to 70% by expending a further \$2 million on exploration of the claims by May 25, 2008.

To October 31, 2004, the Company had incurred net acquisition costs of \$3,093 and exploration costs of \$259 in respect of the claims, and had received a property payment of \$5,000 and shares valued at \$13,000 from Masuparia.

##### **C. Moore Lake Project**

Since 1997 the Company had acquired several claims by staking of which it now retains a total of 8 claims totalling 21,093 ha. in an area of the Athabasca Basin of Northern Saskatchewan know as the Moore Lake Project.

The Company and Kennecott Canada Exploration Inc. entered into a Reorganization Agreement dated December 6, 2002, in respect of the Moore Lake Project.

Under the terms of the Reorganization Agreement, the Company can acquire all of Kennecott's interest (50%) in the Moore Lake Project property by expending \$2,000,000 on exploration of that property over the next five years. The Company will also immediately acquire Kennecott's interest in the Lazy Edwards Bay and Cigar North properties. Kennecott will retain a 2.5% net smelter return royalty on all the properties.

This Athabasca Project Reorganization agreement was amended February 20, 2004 allowing for a buydown of the 2.5% net smelter return royalty to 1.25% by payment of \$1,000,000 to Kennecott..

By way of a letter of intent dated October 23, 2003, the Company granted International Uranium Corp (IUC) an option to earn a 51% interest in the Moore Lake Project through aggregate expenditures and investments of \$2.2 million over the first two years. IUC will also have the option to earn a further 24% interest in the Moore Lake Project through additional aggregate expenditures of \$2.2 million over years three and four. The Company will be manager of the exploration programs.

Prepared without audit

**JNR RESOURCES INC.**

## **Notes to Financial Statements October 31, 2004**

### **5. Mineral Properties and Rights – Continued**

To October 31, 2004, the Company had incurred net acquisition costs of \$72,684 and exploration costs of \$2,390,871 in respect of the claims.

#### **D. Lazy Edward Bay Project**

Since 1997 the Company had acquired several claims by staking of which it now retains a total of 8 claims totalling 29,443 ha. in an area of the Athabasca Basin of Northern Saskatchewan known as the Lazy Edward Bay Project.

The Company and Kennecott Canada Exploration Inc. entered into a Reorganization Agreement dated December 6, 2002, in respect of the Lazy Edward Bay Project.

Under the terms of the Reorganization Agreement, the Company acquired all of Kennecott's interest in the Lazy Edward Bay Project property. Kennecott will retain a 2.5% net smelter return royalty on all the properties.

This Athabasca Project Reorganization agreement was amended February 20, 2004 allowing for a buydown of 2.5% net smelter return royalty to 1.25% by payment of \$1,000,000 to Kennecott.

By way of a letter of intent dated October 23, 2003, the Company granted International Uranium Corp (IUC) an option to earn a 75% interest in the Company's Lazy Edward Bay Project through expenditures of \$2,000,000 over two years. The Company will be the manager of the exploration programs.

To October 31, 2004 the Company had incurred net acquisition costs of \$27,256 and exploration costs of \$773,225 in respect of the claims.

#### **E. Bell Lake Project**

During 2003 the Company acquired by staking 3 claims totalling 8,939 ha in Northern Saskatchewan known as the Bell Lake Project. These properties are currently being reviewed by International Uranium Corp.(IUC) who can elect to earn a 75% interest in the property by meeting certain obligations.

To October 31, 2004 the Company had incurred net acquisition costs of \$22,681 and exploration costs of \$300 in respect of the claims.

Prepared without audit

**JNR RESOURCES INC.**

## **Notes to Financial Statements**

### **October 31, 2004**

#### **5. Mineral Properties and Rights – Continued**

##### **F. Black Lake**

During the first quarter of the year the Company acquired by staking 6 claims totalling 24,282 ha in an area of the Athabasca Basin of Northern Saskatchewan.

To October 31, 2004 the Company had incurred net acquisition costs of \$54,035 and exploration costs of \$2,530 in respect of the claims.

##### **G. South Cigar and Pendleton Lake**

During the first quarter of the year the Company and International Uranium Corporation (IUC) acquired by staking 3 mineral claims totalling 11,830 ha in the South Cigar area of Northern Saskatchewan and 3 mineral claims totalling 12,819 ha in the Pendleton Lake area of Northern Saskatchewan. International Uranium Corp (IUC) can earn a 75% interest on these properties by paying the staking and recording fee and the initial \$500,000 in exploration of these properties. To October 31, 2004 the Company had incurred net acquisition costs of \$9,275 and exploration costs of \$4,800 in respect of the claims.

##### **H. Way Lake**

During the second quarter of 2004, the Company staked mineral claims totalling 14,073 hectares in the Way Lake area, 25 kilometres south east of Athabasca Basin in northern Saskatchewan.

These properties are currently being reviewed by IUC who can elect to earn a 75% interest in them in accordance with the terms of Strategic Alliance.

To October 31, 2004, the Company incurred acquisition costs of \$16,222 and exploration costs of \$600 in respect of the claims.

##### **I. Crackingstone**

During the second quarter of 2004, the Company staked mineral claims totalling 10,665 hectares in the Uranium City area. The claims cover the Crackingstone Peninsula of northern Saskatchewan.

These properties are currently being reviewed by IUC who can elect to earn a 75% interest in them in accordance with the terms of the Strategic Alliance.

To October 31, 2004, the Company incurred acquisition costs of \$29,200 and exploration costs of \$600 in respect of these claims.

# JNR RESOURCES INC.

## Notes to Financial Statements October 31, 2004

### 6. Income Taxes

The Company has incurred expenditures on its mining exploration properties which are identified as Canadian Exploration Expenses (CEE) and Canadian Development Expenses (CDE) for income tax purposes. The cumulative CEE and CDE expenditures and loss carryforwards may be used to reduce future years' taxable income earned by the Company. No provision for the future income tax reductions has been made in these financial statements.

The future income tax asset is recognized only to the extent that it is more likely than not that sufficient taxable income will be available to allow an unrecognized future income tax asset to be realized.

The exploration and development expenses totalling \$3,797,978 can be carried forward indefinitely. The non-capital loss totalling \$1,129,777 are carried forward for tax purposes and are available to reduce taxable income of future years. These losses expire as follow:

Year	Non-Capital Losses
2005	\$ 465,351
2006	110,826
2007	143,729
2008	194,738
2009	
2010	67,651
2011	147,482
Total	\$1,129,777

### 7. Share Capital

The Company is authorized to issue 100,000,000 Common Shares with no par value and 10,000,000 Convertible Preferred Shares with a par value of \$1 each. The Directors may deem the shares to be cumulative at date of issuance.

# JNR RESOURCES INC.

## Notes to Financial Statements October 31, 2004

### 7. Share Capital – continued

At October 31, 2004 the Company's issued share capital was as follows:

	Number of Shares	\$ Amount
Preferred Shares	3,000	\$ 3,000
<u>Common Shares</u>		
Balance January 31, 2003	43,747,027	10,752,393
Private placement	1,000,000	50,000
Private placement	5,000,000	500,000
Private placement	800,000	200,000
Exercise of options	1,450,000	174,580
<hr/>		
Balance January 31, 2004	52,000,027	11,679,973
Private placement	2,544,000	636,000
Private placement	5,000,000	2,500,000
Exercise of options	1,585,000	164,100
Exercise of warrants	2,879,400	555,350
Share issue costs		(233,914)
<hr/>		
<u>Balance at October 31, 2004</u>	<u>64,008,427</u>	<u>15,301,509</u>

Prepared without audit

## JNR RESOURCES INC.

### Notes to Financial Statements October 31, 2004

#### 8. Share Capital Options and Warrants

##### Options

The Company has established a stock based compensation plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and employees of the Company as well as persons providing ongoing services to the Company. Exercise price of options equals the market price of the Company's stock on the date of grant. Stock options are exercisable on the day of grant and are for a five-year term.

A summary of the status of the Company incentive stock option plan as at October 31, 2004 is as follows:

	Number of shares	Weighted Average Exercise Price
Outstanding January 31, 2004	2,510,000	0.17
Granted	1,000,000	0.55
Exercised	1,585,000	0.10
Outstanding, October 31, 2004	<u>1,925,000</u>	<u>0.41</u>

##### Options Granted

During the second quarter the Company's Board of Directors approved and granted the following stock options to employees and directors.

July 23, 2004                      1,000,000    at a price of \$0.55 per share exercisable for five years

The Company accounted for stock compensation expense of these options using the following assumptions: risk-free interest rate of 4.0%, dividend yield of 0%, volatility of 100%, and expected lives of 5 years. The fair value of these options is estimated at \$0.419 per option. The Company has recorded \$419,100 in stock based compensation expense on these 1,000,000 stock options during the period

A summary of the status of the Company incentive stock option plan as at October 31, 2004 is as follows:

Number of shares Under Option	Exercise Price	Expiry Date
125,000	0.10	April 14, 2008
800,000	0.29	January 12, 2009
1,000,000	0.55	July 22, 2009
<u>1,925,000</u>		

Prepared without audit

# JNR RESOURCES INC.

## Notes to Financial Statements October 31, 2004

### 8. Share Capital Options and Warrants

#### Warrants

The Company raises funds by private placements. The funds were raised by the Company issuing units with each unit consisting of one Common Share and one Share Purchase Warrant entitling the holder to purchase one additional Common Share

A summary of the status of the share purchase warrants is as follows:

<u>Number of Warrants</u>	<u>Purchase Price</u>	<u>Expiry Date</u>
4,300,000	0.15	November 3, 2005
2,164,600	0.31	January 22, 2005 then 0.36 to January 22, 2006

### 9. Related Party Transactions

During the quarter the Company incurred charges from directors or companies sharing common directors as follows:

	<u>October 31, 2004</u>	<u>July 31, 2004</u>	<u>April 30, 2004</u>	<u>Total</u>
Office services	\$ 356	\$ 972	\$ 1,769	\$ 3,097
Exploration expenditures	29,400	19,500	29,700	78,600
Management fee	15,000	15,000	15,000	45,000
Travel	<u>1,293</u>	<u>1,909</u>	<u>3,505</u>	<u>6,707</u>
	<u>\$ 46,049</u>	<u>\$ 37,381</u>	<u>\$ 49,974</u>	<u>\$ 133,404</u>

These transactions occurred during the normal course of operations and were measured at the exchange amount, that is the amount established and accepted by the parties.

### 10. Subsequent Event

Subsequent to the quarter ended October 31, 2004 25,000 warrants were exercised for proceeds of \$7,750.

### 11. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and amounts due to Directors. The fair value of these financial instruments approximate their carrying values, unless otherwise noted. The Company is not exposed to significant interest, currency or credit risk arising from financial instruments.

Prepared without audit

## **JNR RESOURCES INC.**

### **Notes to Financial Statements October 31, 2004**

#### **12. Non-cash Financing Activities**

During the first quarter, 50,000 shares of Masuparia Gold Corp were received by the Company pursuant to a mineral property option agreement. The total value of these shares at the time they were received was \$2,500.

#### **13. Commitment**

The Company has issued flow through shares and committed to spend the proceeds on exploration and development. As at October 31, 2004 the Company is committed to spend \$200,000 of the flow through share proceeds on exploration and development.

Prepared without audit

**JNR Resources Inc.****SCHEDULE OF DEFERRED EXPLORATION COSTS****FOR THE PERIOD ENDED OCTOBER 31, 2004**

Property/ Project	Balance January 31, 2004	Geophys- ical Surveys	Drilling	Geologists Analyses & Report Preparation	Travel Camps & Accommod- ation	Total Costs	Cost Recovery	Cost Written Off	Balance October 31, 2004
North Athabasca	\$327,352	4,800				4,800			\$332,152
Greywake	259								259
Moore Lake	2,311,575			80,728	1,068	81,796	(2,500)		2,390,871
Lazy Edward Bay	770,525			2,700		2,700			773,225
Black Lake				2,530		2,530			2,530
South Cigar				300		300			300
Pendleton				4,500		4,500			4,500
Bell Lake				300		300			300
Crackingstone				600		600			600
Way Lake				600		600			600
	\$3,409,711	4,800		92,258	1,068	98,126	(2,500)		\$3,505,337

Prepared without audit

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JNR RESOURCES INC.**  
**THREE MONTH PERIOD ENDED OCTOBER 31, 2004**

The following discussion and analysis of the financial condition and results of operations for JNR Resources Inc. has been prepared as of December 23, 2004 to provide additional information to that already provided in the unaudited financial statements for the three month period ended October 31, 2004 and related notes attached thereto.

The reader should also refer to the annual audited financial statements for the years ended January 31, 2004 and 2003, which are prepared in accordance with Canadian generally accepted accounting principles.

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

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company trades on the TSX Venture Exchange under the symbol JNN.

### **Overall Performance**

The Company, directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves which are economically recoverable.

The Company completed two private placements during the first quarter ended April 30, 2004 which provided proceeds of over \$3 million. Options and warrants are being exercised as well, providing additional capital. These funds will enable the Company to continue a vigorous program of exploration on the properties they currently hold, as well as allow them to continue to explore and acquire new properties which are felt to hold potential. The Company had net working capital of \$3,798,180 at October 31, 2004 and is sufficiently financed to meet its operating needs and financial obligations for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing. Outstanding options and warrants should be exercised before expiry, providing additional cash flow for continuing operations. General market conditions in the past year have made raising capital for junior exploration companies much easier than in the past.

The recoverability of amounts shown for mineral properties and rights is dependant upon the discovery of economically recoverable reserves, the ability of the company to obtain

the necessary approvals and financing to complete the development, and future profitable production from the properties or proceeds from disposition.

Ownership in mineral interests 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 interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

### **Exploration Properties**

The Company has acquired certain mineral properties and rights. Details of these mineral properties or interests in mineral properties are as follows:

#### **(a) North Athabasca Project**

A 50% interest in CBS 8175 is situated north of the Pine Channel of Lake Athabasca, Saskatchewan.

To October 31, 2004, the Company had incurred net acquisition costs of \$6,346 and exploration costs of \$332,152 in respect of the claim.

#### **(b) Moore Lake Project**

Since 1997, the Company has been acquiring by staking and subsequently exploring for uranium, along with its Joint Venture partner Kennecott Canada exploration Inc.; a number of mineral claims in the Moore Lake area, of the Athabasca Basin of Northern Saskatchewan.

On December 6, 2002, the Company and Kennecott entered into a Reorganization Agreement, in respect of the Moore Lake properties as well as other jointly held uranium properties. Under the terms of this Agreement the Company can acquire all of Kennecott's interest (50%) in the Moore Lake properties, by expending \$2,000,000 on exploration of the properties over the next five years. The Company also immediately acquired Kennecott's interest in all of their other Saskatchewan uranium properties. Kennecott will retain a 2.5% net smelter return royalty on all of the properties.

The Reorganization Agreement has since been amended to allow for a buydown of 50% of the net smelter return royalty by payment of \$1,000,000 to Kennecott.

On October 23, 2003, the Company and International Uranium Corporation (IUC) signed a Letter Agreement whereby IUC can earn a 51% interest in the Moore Lake properties by incurring expenditures of \$2,000,000 on exploration, and by investing in the Company by way of private placement \$200,000 in the first two years. IUC can earn a further 24% interest by incurring additional expenditures of \$2,000,000 on exploration and by

investing an additional \$200,000 in the Company in years three and four. The Company will be the manager of the exploration programs.

During the fourth quarter of 2003, the Company and IUC initiated an extensive winter exploration program which was completed during the first quarter of 2004. It comprised 19 holes totalling 6747 meters; as well as linecutting and ground electromagnetic (EM) surveys. The results from 'phase 1' of this program were released on March 3, 2004 and indicated the presence of high grade uranium mineralization in two of the holes as well as highly anomalous geochemistry and geology in several others.

During the first quarter of 2004, the Joint Venture staked additional ground in the Moore Lake project area; thereby increasing its land position to almost 37,000 hectares.

On May 18 and June 23, 2004 the Company and IUC released the results from 'Phase 2' of the winter program and announced the initiation of a summer program consisting of 15,000 meters of diamond drilling, along with a property wide boulder sampling program, and additional linecutting and ground geophysical programs.

The summer program was initiated in late June and on August 17 & 19, and September 15, 2004, the Company released results from the first several holes drilled during this program.

The summer program was completed in late October and consisted of 33 holes, totalling 12,437 meters. On December 9, the Company released the results from all but four of the remaining holes. The Company also announced along with IUC, that an extensive 2004-2005 winter program was underway. It will include 200 kilometers of grid establishment, followed up by ground geophysics and 15,000 meters of diamond drilling.

To October 31, 2004, the Company had incurred net acquisition costs of \$72,684 and exploration costs of \$2,390,871 in respect of the claims.

### **(c) Lazy Edward Bay Project**

Since 1997, the Company has been acquiring by staking and subsequently exploring for uranium, along with its Joint Venture partner Kennecott Canada Exploration Inc.; a number of claims in the Lazy Edward Bay area, of the Athabasca Basin of Northern Saskatchewan.

On December 6, 2002, the Company and Kennecott entered into a Reorganization Agreement, in respect of the Lazy Edward Bay properties, as well as other jointly held uranium properties. Under the terms of this Agreement the Company will acquire all of Kennecott's interest in the Lazy Edward Bay properties. Kennecott will retain a 2.5% net smelter return royalty on all of the properties.

The Reorganization Agreement has since been amended to allow for a buydown of 50% of the net smelter return royalty by payment of \$1,000,000 to Kennecott.

On October 23, 2003, the Company and IUC, signed a Letter Agreement whereby IUC can earn a 75% interest in the Lazy Edward Bay properties by incurring expenditures of \$2,000,000 on exploration over two years. The Company will be manager of the exploration programs.

During the fourth quarter of 2003, the Company and IUC tripled their land position in the Lazy Edward Bay area to almost 30,000 hectares, by staking additional mineral claims.

To October 31, 2004, the Company had incurred net acquisition costs of \$27,256 and exploration costs of \$773,225 in respect of these claims.

**(d) Pendleton Lake**

During the fourth quarter of 2003, the Company and IUC staked mineral claims totalling almost 13,000 hectares in the Pendleton Lake area of Northern Saskatchewan. These properties are located 40 kilometres southeast of the Athabasca Basin proper and will be explored for uranium. These properties are also subject to the terms of a Strategic Alliance between the Company and IUC; whereby IUC must pay staking and recording costs, and must expend the initial \$500,000 on exploration of the properties, to earn a 75% interest.

During the first quarter of 2004, the Joint Venture completed a 510 kilometre airborne GEOTEM survey over the project lands. The results are pending.

During the second quarter of 2004 the Joint Venture completed a reconnaissance-scale surficial geology mapping and sampling program over the project lands, the results of which are pending.

To October 31, 2004 the Company had incurred exploration costs of \$4,500 in respect of these claims.

**(e) Bell Lake**

During the fourth quarter of 2003, the Company staked mineral claims totalling almost 9000 hectares in the Bell / La Rocque Lakes area, of the Athabasca Basin area of Northern Saskatchewan. These properties are proximal to Cameco's La Rocque Lake uranium deposit and are currently being reviewed by IUC, who can elect to earn a 75% interest in them, in accordance with the terms of the Strategic Alliance.

To October 31, 2004, the Company had incurred net acquisition costs of \$22,681 and exploration costs of \$300 in respect of these claims.

**(f) South Cigar**

During the first quarter of 2004, the Company and IUC staked mineral claims totalling almost 12,000 hectares south of Cameco's Cigar Lake uranium deposit. These properties are subject to the terms of the Strategic Alliance between the Company and IUC.

During the first quarter of 2004, the Joint Venture completed a 243 kilometer airborne GEOTEM survey over the project lands. The results are pending.

To October 31, 2004 the Company had incurred net acquisition costs of \$9,275 and exploration costs of \$300 in respect of the claims.

**(g) Black Lake**

During the first quarter of 2004, the Company acquired by staking a 100% interest in just over 24,000 hectares of property in the Black Lake area, located in the north eastern part of the Athabasca Basin. This project covers over 20 km of strike length of the Black Lake fault; a major structural break in the Precambrian Shield.

Previous work on the property included the identification of EM conductors that saw only a nominal amount of diamond drilling, yet returned encouraging geological and geochemical results.

On November 2, the Company announced that it had staked additional land in the Black Lake area and that a 1400 line kilometre airborne magnetic and MEGATEM survey would be flown over the property. This survey has been completed; the results are pending. The total land position for the Black Lake property is now 41,783 hectares.

To October 31, 2004 the Company had incurred net acquisition costs of \$54,035 and exploration costs of \$2,530 in respect of these claims.

**(h) Greywacke Claims**

On May 21, 2001, the Company and Shane Resources Ltd. (Shane) entered into an Option Agreement with Masuparia Gold Corp. (Masuparia), to explore their four jointly held gold claims in the Greywacke Lake area of Northern Saskatchewan. Under the terms of the Agreement, Masuparia can earn a 51% interest in the claims by making a property payment of \$10,000 (made), expending \$850,000 on the claims by May 25, 2005, and by issuing an aggregate of 500,000 common shares (100,000/year), by May 25 2005. Masuparia also has the option to increase its interest to 70% by expending a further \$2,000,000 on exploration of the claims by May 25, 2008.

To October 31, 2004, the Company had incurred acquisition costs of \$3,093 and exploration costs of \$259 in respect of these claims. The Company has received from Masuparia a property payment of \$5,000 and shares valued at \$13,000.

**(i) Way Lake**

During the second quarter of 2004, the Company staked mineral claims totalling 14,073 hectares in the Way Lake area, 25 kilometres southeast of the Athabasca Basin proper. Previous work in the area identified uranium mineralization associated with pitchblende in both boulders and outcrop. Grab samples returned up to 50% U<sub>3</sub>O<sub>8</sub>.

These properties are currently being reviewed by IUC who can elect to earn a 75% interest in them in accordance with the terms of the Strategic Alliance.

To October 31, 2004, the Company incurred acquisition costs of \$16,222 and exploration costs of \$600.

**(j) Crackingstone**

During the second quarter of 2004, the Company staked mineral claims totalling 10,665 hectares in the Uranium City area. The claims cover the Crackingstone Peninsula and the northeast strike extensions of the unconformity between the Martin Group and the Tazin Group.

These properties are currently being reviewed by IUC who can elect to earn a 75% interest in them in accordance with the terms of the Strategic Alliance.

To October 31, 2004, the Company incurred acquisition costs of \$29,200 and exploration costs of \$600 in respect of these claims.

**(k) Rocky Brook**

On December 14, the Company announced that it had entered into an Agreement with Altius Mineral Corporation to option the Rocky Brook uranium property, located in western Newfoundland.

JNR can earn an undivided 70% participating interest over 4 years by spending \$2,525,000 on exploration, including a minimum first year commitment of \$275,000. To exercise the Option, JNR will, subject to regulatory approval, make an initial payment of 125,000 shares and may make optional cash/share payments totalling \$172,000.

Should Altius' participating interest in the property fall below 10%, its interest will convert to a 3% gross value of product produced royalty (GVR) except for areas of the property that are subject to an underlying 2% net smelter return royalty (NSR), in which case Altius' royalty will be a 1% GVR. Altius retains the right to purchase up to half of the underlying 2% NSR for its account.

## Selected Annual Information

	Year ended Jan. 31/04	Year ended Jan. 31/03	Year ended Jan. 31/02
Total revenues	11,631	158,955	115,755
Net loss	1,792,260	216,843	243,435
Basic & diluted loss per share	(\$0.04)	(\$0.01)	(\$0.01)
Total assets	4,186,736	4,913,942	5,113,339
Total long-term liabilities	0	0	0
Cash dividends	0	0	0

Revenue for the years ended January 31, 2003 and 2002 was the result of rental charged for camp and exploration equipment and project management services for exploration. Revenues for the year ended January 31, 2004 were significantly lower than those for the previous years because there was no ongoing exploration during the year. The increase in the net loss at January 31, 2004 was due mainly to a \$45,427 dollar write off for mineral properties abandoned and the write off of \$1,379,880 for deferred exploration costs associated with those properties.

## Results of Operations

The following is a summary of significant exploration events and transactions that occurred during the period ended October 31, 2004:

1. The Company, along with Joint Venture partner International Uranium Corporation (IUC), completed the summer exploration program on the Moore Lake uranium project in late October. This program included 12,437 meters (33 holes) of diamond drilling, along with line cutting, ground electromagnetic (EM) and boulder sampling surveys.

On August 17, 2004, the Company released the results from the first of three holes of the summer program. Drill hole ML-48 assayed 4.01% U<sub>3</sub>O<sub>8</sub> over 4.7 meters, while hole ML-49 assayed 2.41% U<sub>3</sub>O<sub>8</sub> over 4.5 meters.

On August 19, 2004, the Company released the results from two additional holes. Drill hole ML-55 assayed 5.14% U<sub>3</sub>O<sub>8</sub> over 6.2 meters, while hole ML-54 assayed 3.5% U<sub>3</sub>O<sub>8</sub> over 5.0 meters.

On September 15, 2004, the Company released the results from several additional holes. This included the best intersection to date on the property in drill hole ML-61; which intersected a grade equivalent of 4.03% U<sub>3</sub>O<sub>8</sub> over 10.0 meters; including a 1.4 meter intercept of 19.96% U<sub>3</sub>O<sub>8</sub>.

Subsequent to the quarter ended October 31, 2004, the Company released the results from all but the last four holes drilled. For the most part these holes were focused on identifying uranium mineralization and /or areas of potential mineralization, northeast and southwest of the main mineralized lens. The results were very encouraging in that several holes intersected low grade uranium mineralization; while virtually all of the drill holes intersected strong alteration and structural disruption, and anomalous geochemistry.

In light of these results the Company and IUC approved an extensive exploration program for the winter of 2004-2005. This program which began in mid-December, will consist of 15,000 meters of diamond drilling (3-drills) and 200 kilometers of line cutting and/or re-establishing several grids in the general Maverick area and property-wide, followed up with a combination of ground geophysical surveys. The drilling program will test not only the Maverick area, but also targets on several regional grids.

2. Subsequent to the quarter ended October 31, 2004, the Company staked and received title to an additional 17,500 hectares of land in the Black Lake area. The current land position totals 41,783 hectares.

The Company also completed an airborne magnetic and MEGATEM survey comprising approximately 1400 line kilometers, over the entire property. The extent and timing of the 2005 program on the Black Lake project will be dependant upon the results of this survey, which are expected early in the New Year.

3. Subsequent to the quarter ended October 31, 2004, the Company entered into an Agreement with Altius Mineral Corporation to Option a 70% interest in Altius' Rocky Brook uranium property, located in western Newfoundland.

A Joint Venture meeting will be held in January to review and approve the 2005 diamond drilling program, which is budgeted at \$275,000.

4. Interpretation of airborne GEOTEM surveys carried out during the first quarter over the South Cigar and Pendleton Lake uranium Joint Ventures are still underway and the results from a reconnaissance-scale surficial mapping and sampling program on Pendleton Lake are still pending.

The extent and timing of further exploration programs on these projects, will in part be dependant upon these results which are expected early in the New Year.

5. The extent and timing of exploration programs on JNR Resources Inc.'s remaining Athabasca Basin properties will be determined at Joint Venture meetings that will be held early in the New Year.
6. There are no plans at this time and no meetings have been scheduled, to discuss further exploration on the North Athabasca project and the Greywacke claims.

During the quarter ended October 31, 2004, the Company received \$469,565 in exchange for the exercise of options and warrants.

The Company raised \$30,000 through the exercise of 300,000 options at a price of \$0.10. The Company received \$439,565 in exchange for warrants exercised during this quarter.

During the quarter ended July 31, 2004 the Company's Board of Directors approved and granted 1,000,000 stock options at a price of \$0.55 per share exercisable for five years to employees and directors. The Company recorded \$419,100 as stock based compensation expense on these options during the quarter.

The Company currently has \$1,000,000 invested in a Guaranteed Investment Certificate with an interest rate of 2.4% which matures on January 24, 2005. An additional GIC was purchased for \$2,000,000 with an interest rate of 2.4% and it matures on April 18, 2005.

During the quarter ended October 31, 2004, the Company reported an operating profit of \$3,276 (operating loss of \$24,568 in 2003). The difference is mainly attributed to interest income of \$24,170 (\$0 in 2003), revenue for camp and equipment rental of \$68,300 (\$0 in 2003) and administrative expenses totaling \$89,194 (\$24,568 in 2003). The increase in revenue and corresponding increase in administrative expenses for 2004 is largely due to the fact that the Company raised money to spend on exploration.

### Summary of Quarterly Results

The following quarterly financial data is derived from the interim, unaudited financial statements of JNR Resources Inc. as at and for the three month periods ended on the dates indicated below. The information should be read in conjunction with the Company's interim, unaudited financial statements and the accompanying Notes.

	Oct. 31/04	July 31/04	Apr. 30/04	Jan. 31/04
Total assets	7,632,626	7,171,046	7,110,430	4,186,736
Mineral properties & deferred costs	3,746,129	3,679,271	3,607,015	3,541,771
Working capital (deficiency)	3,798,180	3,396,230	3,408,252	516,129
Shareholders' equity	7,582,664	7,109,823	7,022,829	4,063,346
Revenues	92,470	2,154	0	11,526
Net loss (Profit)	(3,276)	492,006	32,588	1,722,007
Loss (earnings) per share	\$0.00	\$0.01	\$0.00	\$0.03

	Oct. 31/03	July 31/03	Apr. 30/03	Jan. 31/03
Total assets	4,972,782	4,944,742	4,940,087	4,913,942
Mineral properties & deferred costs	4,911,999	4,904,500	4,904,500	4,893,034
Working capital (deficiency)	(143,009)	(131,599)	(160,254)	(154,448)
Shareholders' equity	4,775,020	4,777,088	4,748,433	4,742,773
Revenues	0	0	105	109,843
Net loss (Profit)	24,568	21,345	24,340	139,966
Loss (earnings) per share	\$0.00	\$0.000	\$0.001	\$0.003

The net loss of 1,722,007 at January 31, 2004 was due mainly to a \$45,427 dollar write off for mineral properties abandoned, the write off of \$1,379,880 for deferred exploration costs associated with those properties, and stock compensation amounting to \$217,833. The net loss of 139,966 at January 31, 2003 was due mainly to write offs of \$91,453 for mineral properties abandoned, \$42,784 for deferred exploration costs associated with those properties, and stock compensation amounting to \$44,879. The net profit of \$3,276 at October 31, 2004 is a substantial change from the net loss of \$492,006 for the quarter ended July 31, 2004. During the quarter ended July 31, 2004 stock compensation was expensed on the 1,000,000 options granted to directors and employees during the quarter and administrative expenses were up due to the ongoing exploration program which commenced in January, 2004. The Company had revenues of \$92,470 for the quarter ending October 31, 2004 as a result of rental for camp and equipment and interest income (\$2,154 for July 31, 2004). Revenues for the quarters ended January 31, 2004 and January 31, 2003 were also higher than other quarters. The revenue declared in these quarters can be mainly attributed to recovery of expenses for managing exploration programs on behalf of the project operator (\$10,980 for 2004 and \$118,223 for 2003).

### Liquidity and Capital Resources

	October 31, 2004	Jan. 31, 2004
Current Assets	3,848,142	639,519
Current Liabilities	49,962	123,390
Working Capital	3,798,180	516,129

The Company currently holds \$3,000,000 in Guaranteed Investment Certificates which mature in January and April of 2005. At that time we will determine, based on projected exploration expenditures, what amount to reinvest.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Company is not exposed to significant interest, currency, or credit risk arising from financial instruments

The Company has sufficient funds to meet its operating needs and financial obligations for the ensuing year, as well as to continue exploration programs both planned and currently in progress. All of the Company's mineral properties are currently in good standing for a minimum of one year and no expenditures are required.

### **Related Party Transactions**

During the period ended October 31, 2004 the Company entered into the following transactions with a director and Terra Venture Geological Services Ltd., a company solely owned by the president of JNR Resources Inc.:

- a) Management fees of \$15,000.
- b) Exploration expenditures of \$29,400.

Terra Venture Geological Services Ltd. is under contract with JNR Resources Inc. to provide management, geological and technical services.

The Company also reimbursed Rick Kusmirski, the president and a director of JNR, for the following expenses:

- a) Travel of \$1,293
- b) Office services of \$356

These transactions occurred during the normal course of operations and were measured at the exchange amount, that is, the amount established and accepted by the parties.

### **Share Capital**

The Company is authorized to issue 100,000,000 Common Shares with no par value and 10,000,000 Convertible Preferred Shares with a par value of \$1 each. The Directors may deem the shares to be cumulative at date of issuance.

At November 23, 2004 the Company's issued share capital was as follows:

	Number of Shares	\$ Amount
Preferred Shares	3,000	\$ 3,000
<u>Common Shares</u>		
Balance January 31, 2003	43,747,027	10,752,393
Private placement	1,000,000	50,000
Private placement	5,000,000	500,000
Private placement	800,000	200,000
Exercise of options	1,450,000	174,580
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Balance January 31, 2004	52,000,027	11,679,973
Private placement	2,544,000	636,00
Private placement	5,000,000	2,500,000
Exercise of options	1,585,000	164,100
Exercise of warrants	2,879,400	555,350
Share issue costs		(233,914)
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<u>Balance at October 31, 2004</u>	<u>64,008,427</u>	<u>15,301,509</u>

## **Changes in Accounting Policies**

### **Stock-based Compensation Plan**

Effective February 1, 2003, the Company adopted a new standard for the accounting for Stock-based and other stock-based payments as recommended by the Canadian Institute of Chartered Accountants (CICA 3870).

As permitted by CICA 3870, the Company has applied the new recommendation prospectively only to awards granted on or after February 1, 2003. For stock option awards granted and all direct awards of stock, the Company applies fair value method. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for: weighted average risk-free interest rates; dividend yields; weighted-average volatility factors of the expected market price of the Company's Common Shares; and a weighted average expected life of the options. The fair value of direct awards of stocks is determined by the quoted market price of the Company's stock.

### **Subsequent Events**

On November 2, 2004, the Company announced that it had increased its land position and was initiating an airborne magnetic and MEGATEM survey on its Black Lake project.

On December 9, 2004, the Company announced additional drilling results from its Moore Lake Joint Venture, along with the initiation of an extensive 2004–2005 winter program on this project.

On December 14, 2004 the Company announced that it had entered into an Agreement with Altius Mineral Corporation to option a 70% interest in their Rocky Brook uranium property.

### **Corporate Governance**

Management of the Company is responsible for the preparation and presentation of the financial statements and the accompanying notes, the MD&A, and other information contained in this report.

Management also has the responsibility for the maintenance of adequate accounting records and internal controls, prevention and detection of fraud and errors, safeguarding of assets, selection, and application of suitable policies, and appropriate disclosure and the timely disclosure of financial information in the financial statements. The preparation of the financial statements in accordance with generally accepted accounting principles is also the responsibility of management.

Signed

“Richard T. Kusmirski”  
President