

TWIGG & COMPANY
CHARTERED ACCOUNTANTS

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JNR RESOURCES INC.

Auditor's Report and Financial Statements

for the year ended January 31, 2005

TWIGG & COMPANY
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AUDITORS' REPORT

**TO THE SHAREHOLDERS OF
JNR RESOURCES INC.**

We have audited the balance sheet of JNR Resource Inc. as at January 31, 2005 and January 31, 2004 and the statements of operations and deficit and cash flows and the schedule of deferred exploration costs 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 audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2005 and January 31, 2004 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a consistent basis.

**Saskatoon, Saskatchewan
May 19, 2005**

"Twigg & Company"

Chartered Accountants

JNR RESOURCES INC.

STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE YEAR ENDED JANUARY 31, 2005

	<u>2005</u>	<u>2004</u>
Administration costs		
Amortization	\$ 11,802	\$ 1,638
Bad debts		2,798
Bank interest	857	269
Consulting	46,362	21,500
Dues and memberships	5,677	1,220
Filing fees	8,170	17,746
Insurance	3,400	
Management fees	60,000	49,500
Office expense	16,150	5,317
Premises rent	13,866	
Professional fees	50,241	21,450
Property examination expense		515
Recoverable field expenses	48,840	
Shareholder relations	30,213	3,626
Stock compensation	626,600	217,833
Telecommunications	7,242	3,960
Training	11,691	
Transfer agent	12,902	8,237
Travel and accommodation	38,220	22,975
Wages and benefits	12,787	
	<hr/> 1,005,020	<hr/> 378,584
Recovery of expenses	(82,950)	(10,980)
Project management income	(131,970)	
Interest income	(35,143)	(651)
	<hr/>	<hr/>
Total costs	754,957	366,953
	<hr/>	<hr/>
Operating loss for the year	754,957	366,953
Deferred exploration costs written off	272,793	1,379,880
Mineral property costs abandoned or lapsed	5,288	45,427
	<hr/>	<hr/>
Net loss for the year	1,033,038	1,792,260
Deficit, beginning of the year	7,849,759	6,057,499
	<hr/>	<hr/>
Deficit, end of year	\$ 8,882,797	\$ 7,849,759
	<hr/>	<hr/>
Basic loss per share (Note 3)	\$ (0.02)	\$ (0.04)

JNR RESOURCES INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JANUARY 31, 2005

	<u>2005</u>	<u>2004</u>
Cash flows from (used in) operating activities		
Net income (loss) for the year	\$ (1,033,038)	\$ (1,792,260)
Items not involving cash		
Stock based compensation expense	626,600	217,833
Amortization	11,802	1,638
Mineral property costs abandoned	278,081	1,425,307
	<hr/>	<hr/>
	(116,555)	(147,482)
Cash provided by (invested in) non-cash working capital		
Increase (decrease) in marketable securities	(2,500)	
Decrease (increase) in accounts receivable	(285,328)	4,298
Decrease (increase) in prepaids	(4,767)	
Increase (decrease) in accounts payable and accrued liabilities	7,248	18,030
Increase (decrease) in taxes payable	(75,745)	(45,936)
Increase (decrease) in due to director	(741)	(19,873)
	<hr/>	<hr/>
	(478,388)	(190,963)
Cash flows from (used in) financing activities		
Issuance of share capital	4,272,377	895,000
	<hr/>	<hr/>
Cash flows from (used in) investing activities		
Mineral properties and rights, for cash	(74,534)	(22,682)
Deferred exploration expenses	(343,891)	(51,362)
Acquisition of capital assets	(87,065)	(2,897)
	<hr/>	<hr/>
	(505,490)	(76,941)
Increase (decrease) in cash and cash equivalents	3,288,499	627,096
Cash and cash equivalents, beginning of year	633,019	5,923
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 3,921,518	\$ 633,019

JNR RESOURCES INC.

Notes to Financial Statements

January 31, 2005

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 interests. 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.

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.

JNR RESOURCES INC.

Notes to Financial Statements

January 31, 2005

3. Significant Accounting Policies - continued

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%

It is the Company's policy to record amortization at one-half the annual rate in the year of acquisition.

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.

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.

JNR RESOURCES INC.

Notes to Financial Statements January 31, 2005

3. Significant Accounting Policies - continued

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 April 18, 2005 and April 25, 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 2005</u>	<u>Total 2004</u>
Newnham Lake Project	\$ 529	32,080	32,609	\$ 305,890
North Athabasca Project	529	27,279	27,808	27,808
Greywacke Project	852		852	3,352
Moore Lake Project	72,684	2,414,945	2,487,629	2,384,258
Lazy Edward Bay Project	27,256	775,325	802,581	797,781
Bell Lake Project		300	300	22,682
South Cigar Project		300	300	
Black Lake Project	54,035	219,830	273,865	
Pendleton Lake Project		5,500	5,500	
Crackingstone Project	29,199	600	29,799	
Way Lake Project	16,222	900	17,122	
Kelic Lake Project		600	600	
Rocky Brook Project		3,150	3,150	
South Dufferin Project				
North Wedge Project				
	<u>\$ 201,306</u>	<u>3,480,809</u>	<u>3,682,115</u>	<u>\$ 3,541,771</u>

JNR RESOURCES INC.

Notes to Financial Statements January 31, 2005

5. Mineral Properties and Rights – Continued

A. North Athabasca Project

A 50% interest in claim CBS 8175, consisting of 574 ha. north of the Pine Channel of Lake Athabasca, Saskatchewan. To January 31, 2005, the Company has expended \$529 on acquisition costs and \$27,279 on exploration of the property.

B. Newnham Lake Project

A 100% interest in claim S99125 consisting of 5800 ha. in an area of Newnham Lake of Northern Saskatchewan. To January 31, 2005, the company has expended \$529 on acquisition costs and \$32,080 on exploration of the property.

C. 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 January 31, 2005, the Company had incurred net acquisition costs of \$852 and had received a property payment of \$5,000 and shares valued at \$13,000 from Masuparia.

D. Moore Lake Project

Since 1997 the Company has acquired several claims by staking of which it now retains a total of 11 claims totalling 35,713 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 October 1, 2003 allowing for a buydown of the 2.5% net smelter return royalty to 1.25% by payment of \$1,000,000 to Kennecott.

JNR RESOURCES INC.

Notes to Financial Statements January 31, 2005

5. Mineral Properties and Rights – Continued

On December 15, 2003, the Company and International Uranium Corporation (IUC) signed an Option 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.

To January 31, 2005, the Company had incurred net acquisition costs of \$72,684 and exploration costs of \$2,414,945 in respect of the claims.

E. Lazy Edward Bay Project

Since 1997 the Company has acquired several claims by staking of which it now retains a total of 12 claims totalling 48,310 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 October 1, 2003 allowing for a buydown of 2.5% net smelter return royalty to 1.25% by payment of \$1,000,000 to Kennecott.

On December 15, 2003, the Company and International Uranium Corporation (IUC), signed an Option Agreement whereby IUC can earn a 75% interest in the Lazy Edward Bay properties by incurring expenditures of \$500,000 on exploration over two years. The Company will be manager of the exploration programs.

To January 31, 2005, the Company had incurred net acquisition costs of \$27,256 and exploration costs of \$775,325 in respect of the claims.

F. 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 subject to the terms of an Alliance Agreement between the Company and International Uranium Corporation (IUC), whereby IUC pays staking and recording costs and must expend the initial \$500,000 on exploration of the properties to earn a 75% interest.

To January 31, 2005 the Company had incurred exploration costs of \$300 in respect of the claims.

G. Black Lake

During the year the Company acquired by staking 10 claims totalling 41,783 ha. in an area of the Athabasca Basin of Northern Saskatchewan.

To January 31, 2005, the Company had incurred net acquisition costs of \$54,035 and exploration costs of \$219,830 in respect of the claims.

JNR RESOURCES INC.

Notes to Financial Statements January 31, 2005

5. Mineral Properties and Rights – Continued

H. South Cigar

During the year, the Company acquired by staking 5 mineral claims totalling 17,653 ha in the South Cigar area of Northern Saskatchewan. These properties are subject to the terms of an Alliance Agreement between the Company and International Uranium Corp (IUC), whereby IUC pays staking and recording costs and must expend the initial \$500,000 on exploration of the properties to earn a 75% interest.

To January 31, 2005, the Company had incurred exploration costs of \$300 in respect of the claims.

I. Pendleton Lake

During the year, the Company acquired by staking 3 mineral claims totalling 12,319 ha. in the Pendleton Lake area of Northern Saskatchewan. These properties are subject to the terms of an Alliance Agreement between the Company and International Uranium Corporation (IUC), whereby IUC pays staking and recording costs and must expend the initial \$500,000 on exploration of the properties to earn a 75% interest.

To January 31, 2005, the Company had incurred exploration costs of \$5,500 in respect of the claims.

J. Way Lake

During the year, the Company acquired by staking 3 mineral claims totalling 14,073 ha. in the Way Lake area, south east of the Athabasca Basin of northern Saskatchewan.

The Company has an unencumbered 100% interest in these properties.

To January 31, 2005, the Company incurred acquisition costs of \$16,222 and exploration costs of \$900 in respect of the claims.

K. Crackingstone

During the year, the Company acquired by staking 4 mineral claims totalling 10,665 ha. in the Uranium City area. The claims cover the Crackingstone Peninsula of northern Saskatchewan.

The Company has an unencumbered 100% interest in these properties.

To January 31, 2005, the Company incurred acquisition costs of \$29,199 and exploration costs of \$600 in respect of these claims.

L. Kelic Lake

During the year, the Company acquired by staking 4 mineral claims totalling 20,686 ha. along the south central area of the Athabasca Basin in Northern Saskatchewan. These properties are subject to the terms of an Alliance Agreement between the Company and International Uranium Corporation (IUC), whereby IUC pays staking and recording costs and must expend the initial \$500,000 on exploration of the properties to earn a 75% interest.

To January 31, 2005, the Company has incurred exploration costs of \$600 in respect of the claims.

JNR RESOURCES INC.

Notes to Financial Statements January 31, 2005

5. Mineral Properties and Rights – Continued

M. South Dufferin

During the year, the Company acquired by staking 6 mineral claims totalling 27,330 ha. along the south central area of the Athabasca Basin in Northern Saskatchewan. These properties are subject to the terms of an Alliance Agreement between the Company and International Uranium Corporation (IUC), whereby IUC pays staking and recording costs and must expend the initial \$500,000 on exploration of the properties to earn a 75% interest.

N. North Wedge

During the year, the Company acquired by staking a mineral claim totalling 4,247 ha. in the North Wedge Lake area of Northern Saskatchewan. These properties are subject to the terms of an Alliance Agreement between the Company and International Uranium Corporation (IUC), whereby IUC pays staking and recording costs and must expend the initial \$500,000 on exploration of the properties to earn a 75% interest.

O. Rocky Brook

On December 9, 2004, the Company and Altius Minerals Corporation (Altius), signed an Option Agreement, whereby the Company can earn an undivided 70% interest of the Rocky Brook uranium property consisting of 11,000 ha. located in Western Newfoundland. The Company can earn the 70% interest over 4 years by spending \$2,525,000 on exploration, including a minimum first year commitment of \$275,000 an initial payment of 125,000 shares upon TSXV approval and making cash or share payments totalling \$172,000 over 2 years.

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 \$5,171,947 can be carried forward indefinitely. The non-capital loss totalling \$780,081 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
2006	\$ 110,826
2007	143,729
2008	194,738
2009	
2010	67,651
2011	147,482
2012	116,555
Total	\$ 780,981

JNR RESOURCES INC.

Notes to Financial Statements January 31, 2005

7. Share Capital

The Company is authorized to issue an unlimited number of 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 January 31, 2005 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	2,160,000	470,932
Exercise of warrants	5,297,800	1,065,054
Share issue costs		(235,777)
<hr/>		
<u>Balance January 31, 2005</u>	<u>67,001,827</u>	<u>16,116,182</u>

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.

JNR RESOURCES INC.

Notes to Financial Statements January 31, 2005

8. Share Capital Options and Warrants - Continued

A summary of the status of the Company incentive stock option plan as at January 31, 2005 is as follows:

	Number of shares	Weighted Average Exercise Price
Outstanding January 31, 2004	2,510,000	0.17
Granted	1,250,000	0.66
Exercised	2,160,000	0.14
Outstanding, January 31, 2005	1,600,000	0.58

Options Granted

During the year, 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
January 12, 2005	250,000	at a price of \$1.09 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 and \$0.83 per option respectively. The Company has recorded \$419,100 in stock based compensation expense on 1,000,000 stock options and \$207,500 on 250,000 stock options during the year.

A summary of the status of the Company incentive stock option plan as at January 31, 2005 is as follows:

Number of shares Under Option	Exercise Price	Expiry Date
350,000	0.29	January 12, 2009
1,000,000	0.55	July 22, 2009
250,000	1.09	January 11, 2010
1,600,000		

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>
2,800,000	0.15	January 5, 2006
1,755,000	0.36	January 22, 2006

JNR RESOURCES INC.

Notes to Financial Statements January 31, 2005

9. Related Party Transactions

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

	<u>2005</u>	<u>2004</u>
Office services	\$ 4,531	\$
Exploration expenditures	115,600	33,800
Management fee	60,000	49,500
Travel	12,339	
Recoverable expenses	<u>1,656</u>	<u>14,068</u>
	<u>\$ 194,126</u>	<u>\$ 97,368</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 January 31, 2005, 125,000 options and 395,000 warrants were exercised for proceeds of \$178,450.

During February, 2005 the Company gave notice to Kennecott Canada Exploration Inc. that the minimum expenditures referred to in the Athabasca Basin Reorganization agreement dated December 4, 2002 and amended October 1, 2003 had been expended and that the Company had completely exercised its option to acquire the 50% interest held by Kennecott in the Moore Lake claim.

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.

12. Non-cash Financing Activities

During the year, 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.

JNR Resources Inc.

SCHEDULE OF DEFERRED EXPLORATION COSTS

FOR THE YEAR ENDED JANUARY 31, 2005

Property/ Project	Balance January 31, 2004	Geophysical Surveys	Drilling	Geologists Analyses & Report Preparation	Travel Camps & Accommod- ation	Total Costs	Cost Recovery	Cost Written Off	Balance January 31, 2005
Newnam Lake	\$300,073	4,800				4,800		(272,793)	\$32,080
North Athabasca	27,279								27,279
Greywake	259						(259)		
Moore Lake	2,311,575			103,370		103,370			2,414,945
Lazy Edward Bay	770,525			4,800		4,800			775,325
Black Lake		211,700		8,130		219,830			219,830
South Cigar				300		300			300
Pendleton				5,500		5,500			5,500
Bell Lake				300		300			300
Crackingstone				600		600			600
Kelic Lake				600		600			600
Way Lake				900		900			900
Rocky Brook				3,150		3,150			3,150
	\$3,409,711	216,500		127,650		344,150	(259)	(272,793)	\$3,480,809

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
JNR RESOURCES INC.
YEAR ENDED JANUARY 31, 2005

The following discussion and analysis of the financial condition and results of operations for JNR Resources Inc. has been prepared as of May 20, 2005 to provide additional information to that already provided in the audited financial statements for the year ended January 31, 2005 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.

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 \$4,166,461 at January 31, 2005 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.

Performance Summary

Highlights

During the year, the Company continued to focus its activities on uranium exploration. In the Athabasca Basin, the Company was involved in exploration activities on 5 separate projects.

The Moore Lake Joint Venture with partner IUC continues to be one of the most exciting exploration projects in the Basin. Drilling programs during the past year returned several high grade uranium intersections, with the best being 4.03% eU₃O₈ over 10.0 meters, including a 1.4 meter intercept of 19.96% eU₃O₈. Airborne geophysical surveys over the Company's 100% owned Black Lake project, and over the Pendleton Lake and South Cigar projects (under option to IUC), identified a number of targets that will be the subject of follow-up in 2005. Likewise, a compilation of historical data on the Lazy Edward Bay project (under option to IUC) outlined several areas for ground follow-up and drilling.

The Company also selectively acquired several additional properties and to date has a varied interest (50% to 100%) in twelve projects, comprising some 250,000 hectares. These projects are located along major structures, in areas of favourable geology and where the target depth (depth to the unconformity) is generally shallow; less than 275 meters. This allows for aggressive and cost effective exploration programs to be undertaken, and maximizes both the potential of future discoveries and the return to the Company's investors.

The Company also entered into an agreement with Altius Minerals, whereby it could acquire a 70% interest in the Rocky Brook uranium property located in western Newfoundland. This property features three distinct areas of unsorted, altered and mineralized sandstone boulders, that returned uranium values of up to 11.5% U₃O₈. Over the past two years, exploration programs outlined specific areas from which the mineralized boulders are thought to have originated. These areas will be the focus of a diamond drilling program this summer.

The Company also shored up its exploration team by hiring an Exploration Manager and a Senior Geochemist, each of whom has over 15 years of experience in uranium exploration, primarily in the Athabasca Basin.

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

The Company holds a 50% interest in CBS 8175, a mineral claim situated north of the Pine Channel of Lake Athabasca, Saskatchewan.

To January 31, 2005, the Company has expended \$529 on acquisition costs and \$27,279 on exploration of the property.

(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. These terms were included in an Option Agreement signed on December 15, 2003.

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 35,713 hectares (11 mineral claims).

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, 2004, the Company released results from the first several holes drilled during this program. The results continue to be very encouraging as a number of additional high grade intersections were obtained. Drill hole ML-48 assayed 4.01% U_3O_8 over 4.7 meters; ML-49 assayed 2.41% U_3O_8 over 4.5 meters; ML-54 assayed 3.5% U_3O_8 over 5.0 meters and ML-55 assayed 5.14% U_3O_8 over 6.2 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_3O_8 over 10.0 meters; including a 1.4 meter intercept of 19.96% eU_3O_8 .

The summer program was completed in late October and consisted of 33 holes, totalling 12,437 meters.

On December 9, 2004, the Company released the results from all but four of the remaining holes. 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 drill holes intersected low grade 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. On January 31, 2005, details of that program were released. It will cost on the order of \$3.0 million and will consist of 15,000 meters of diamond drilling (3-drills), 300 kilometres of grid establishment in the general Maverick area and property wide, followed up by a combination of ground EM, magnetic and gravity surveys. In addition a 3-D seismic survey will be carried out over the Maverick structural corridor, to further investigate the structural and geological relationships of the Maverick mineralization. The drilling program will focus on targets on the regional grid, as well as follow-up targets in the Maverick area as time and weather conditions allow.

This program was completed in late April of 2005, the results of which are pending. The Company and IUC are once again anticipating an extensive drilling campaign for the summer, details of which will be released in early June.

To January 31, 2005, the Company had incurred net acquisition costs of \$72,684 and exploration costs of \$2,414,945 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 \$500,000 on exploration over two years. The Company will be manager of the exploration programs. These terms were included in an Option Agreement signed on December 15, 2003.

In January of 2004, the Company and IUC tripled their land position in the Lazy Edward Bay area to almost 30,000 hectares, by staking additional mineral claims.

Further staking was carried out in December of 2004. The Lazy Edward Bay properties currently comprise 12 mineral claims, totalling 48,310 hectares.

A compilation of historical work was completed in January of 2005 and planning for a summer program is underway.

To January 31, 2005, the Company had incurred net acquisition costs of \$27,256 and exploration costs of \$775,325 in respect of the claims.

(d) Pendleton Lake

During the fourth quarter of 2003, the Company and IUC staked three mineral claims totalling 12,819 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, Fugro Airborne Surveys completed a 510 kilometre airborne GEOTEM survey over the project lands. The results indicate the presence of two dominant northeast–southwest striking conductors that transect the project lands. Fugro suggests that the emplacement of these conductors was structurally controlled.

During the second quarter of 2004 the Joint Venture completed a reconnaissance-scale surficial geology mapping and sampling program over the project lands. Final interpretation of the results has been held up, due to higher priorities elsewhere.

To January 31, 2005, the Company had incurred exploration costs of \$5,500 in respect of the claims.

(e) Bell Lake

During the fourth quarter of 2003, the Company staked three mineral claims totalling 8,939 hectares in the Bell / La Rocque Lakes area, of the Athabasca Basin of Northern Saskatchewan.

These properties are proximal to Cameco's La Rocque Lake uranium deposit and are 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.

To January 31, 2005 the Company had incurred exploration costs of \$300 in respect of the claims.

(f) South Cigar

During the first quarter of 2004, the Company and IUC staked three mineral claims totalling 12,819 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 kilometre airborne GEOTEM survey over the project lands. This survey outlined a conductive feature interpreted to represent a deep seated basement conductor.

Additional staking during the second and third quarters of 2004 has resulted in the current 'South Cigar' land position, of five mineral claims totalling 17,653 hectares.

To January 31, 2005, the Company had incurred 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. The property is located on the north rim of the Athabasca Basin, approximately 20 kilometres southeast of the town of Stony Rapids, and lies on the seasonal road to that community.

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.

In the third quarter of 2004, the Company staked additional ground in the area and now controls 10 mineral claims comprising 41,783 hectares. Furthermore the property also covers a 40 kilometre strike length of the Snowbird/Black Lake structure, a major crustal feature that represents the strike extension of the mineralized Virgin River shear, located some 225 kilometres to the southwest.

On November 2, 2004, the Company announced that a 1400 line kilometre airborne magnetic and MEGATEM survey would be flown over the property. This survey was completed in December of 2004.

The extent and timing of exploration programs in 2005, will be dependant upon the results of this work.

To January 31, 2005, the Company had incurred net acquisition costs of \$54,035 and exploration costs of \$219,830 in respect of the 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 January 31, 2005, the Company had incurred net acquisition costs of \$852 and had received a property payment of \$5,000 and shares valued at \$13,000 from Masuparia.

(i) Way Lake

During the second quarter of 2004, the Company staked three 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% uranium.

The Company holds a 100% unencumbered interest in these properties.

To January 31, 2005, the Company incurred acquisition costs of \$16,222 and exploration costs of \$900 in respect of the claims.

(j) Crackingstone

During the second quarter of 2004, the Company staked four mineral claims totalling 10,665 hectares in the Uranium City area. These claims cover the Crackingstone Peninsula and the northeast strike extensions of the unconformity between the Martin Group and the Tazin Group. The Gulch mine and about a dozen uranium showings occur on the project lands.

The Company holds a 100% unencumbered interest in these properties.

To January 31, 2005, the Company incurred acquisition costs of \$29,199 and exploration costs of \$600 in respect of these claims.

(k) Rocky Brook

On December 14, 2004, the Company announced that it had entered into an Agreement with Altius Minerals 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.

A diamond drilling program will be carried out on this property during the summer of 2005.

(l) Kelic Lake

During the fourth quarter of 2004, the Company staked four mineral claims totalling 20,686 hectares along the south central margin of the Athabasca Basin.

These properties are subject to the terms of an Alliance Agreement between the Company and International Uranium Corporation (IUC), whereby IUC pays staking and recording costs and must expend the initial \$500,000 on exploration of the properties to earn a 75% interest.

To January 31, 2005, the Company has incurred exploration costs of \$600 in respect of the claims.

(m) South Dufferin

During the fourth quarter of 2004, the Company staked six mineral claims totalling 27,330 hectares along the south central margin of the Athabasca Basin. These claims cover the Virgin River shear, a major mineralized structural zone.

These properties are subject to the terms of an Alliance Agreement between the Company and International Uranium Corporation (IUC), whereby IUC pays staking and recording costs and must expend the initial \$500,000 on exploration of the properties to earn a 75% interest.

(n) North Wedge

During the first quarter of 2004, the Company staked one mineral claim totalling 4247 hectares, southeast of the Cigar Lake uranium deposit.

This property is subject to the terms of the Strategic Alliance between the Company and IUC.

(o) Newnham Lake Project

The Company holds a 100% unencumbered interest in claim S99125 consisting of 5800 ha. in an area of Newnham Lake of Northern Saskatchewan. To January 31, 2005, the company has expended \$529 on acquisition costs and \$32,080 on exploration of the property.

Selected Annual Information

	Year ended Jan. 31/05	Year ended Jan. 31/04	Year ended Jan. 31/03
Total revenues	250,063	11,631	158,955
Net loss	1,033,038	1,792,260	216,843
Basic & diluted loss per share	(\$0.02)	(\$0.04)	(\$0.01)
Total assets	7,983,437	4,186,736	4,913,942
Total long-term liabilities	0	0	0
Cash dividends	0	0	0

Revenue for the years ended January 31, 2005, 2004 and 2003 were 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 2005 and 2003 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.

There was a significant increase in total assets to \$7,983,437 in 2005 from \$4,186,736 in 2004. This was mainly due to monies raised for share capital. At year end 2005 the Company held \$3,000,000 in GICs.

Results of Operations

The following is a summary of significant transactions that occurred during the period ended January 31, 2005:

During the quarter ended January 31, 2005, the Company received \$652,704 in exchange for the exercise of options and warrants.

The Company raised \$130,500 through the exercise of 450,000 options at a price of \$0.29. The Company received \$522,204 in exchange for warrants exercised during this quarter. The Company's Board of Directors approved and granted 250,000 options at a price of \$1.09 per share exercisable for five years to employees and directors. The Company recorded \$207,500 as stock based compensation expense on these options during the quarter.

During the quarter ended October 31, 2004, the Company received \$469,565 in exchange for the exercise of options and warrants: \$30,000 through the exercise of 300,000 options at a price of \$0.10 and \$439,565 in exchange for warrants that were exercised.

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 July 25, 2005. An additional GIC was purchased for \$2,000,000 with an interest rate of 2.4% and it matures on July 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.

	Jan. 31/05	Oct. 31/04	July 31/04	Apr. 30/04
Total assets	7,983,437	7,632,626	7,171,046	7,110,430
Mineral properties & deferred costs	3,682,115	3,746,129	3,679,271	3,607,015
Working capital (deficiency)	4,166,461	3,798,180	3,396,230	3,408,252
Shareholders' equity	7,929,285	7,582,664	7,109,823	7,022,829
Revenues	155,439	92,470	2,154	0
Net loss (Profit)	511,720	(3,276)	492,006	32,588
Loss (earnings) per share	\$0.01	\$0.00	\$0.01	\$0.00

	Jan. 31/04	Oct. 31/03	July 31/03	Apr. 30/03
Total assets	4,186,736	4,972,782	4,944,742	4,940,087
Mineral properties & deferred costs	3,541,771	4,911,999	4,904,500	4,904,500
Working capital (deficiency)	516,129	(143,009)	(131,599)	(160,254)
Shareholders' equity	4,063,346	4,775,020	4,777,088	4,748,433
Revenues	11,526	0	0	105
Net loss (Profit)	1,722,007	24,568	21,345	24,340
Loss (earnings) per share	\$0.03	\$0.00	\$0.000	\$0.001

The net loss of 511,720 for the quarter ended January 31, 2005 was due mainly to write offs of \$5,288 for mineral properties abandoned, \$272,793 for deferred exploration costs associated with those properties, and stock compensation amounting to \$207,500. Revenues for project management income, recovery of expenses for camp and equipment, and interest income totaling \$155,439 helped to reduce the loss for the period ended January 31, 2005. The net loss of 1,722,007 for the quarter ended 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 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 ended 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

	Jan. 31, 2005	Jan. 31, 2004
Current Assets	4,220,613	639,519
Current Liabilities	<u>54,512</u>	<u>123,390</u>
Working Capital	4,166,461	516,129

The Company currently holds \$3,000,000 in Guaranteed Investment Certificates which mature in July 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 with work planned on those that require it.

Off-Balance Sheet Arrangements

JNR Resources Inc. does not have any unconsolidated affiliates. The Company does not enter into material off-balance sheet arrangements with special purpose entities in the normal course of business.

Related Party Transactions

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

	<u>2005</u>	<u>2004</u>
Office services	\$ 4,531	\$
Exploration expenditures	115,600	33,800
Management fee	60,000	49,500
Travel	12,339	
Recoverable expenses	<u>1,656</u>	<u>14,068</u>
	<u>\$ 194,126</u>	<u>\$ 97,368</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.

Share Capital

The Company is authorized to issue an unlimited number of 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 January 31, 2005 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	2,160,000	470,932
Exercise of warrants	5,297,800	1,065,054
Share issue costs		(235,777)
<hr/>		
<u>Balance January 31, 2005</u>	<u>67,001,827</u>	<u>16,116,182</u>

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 January 31, 2005 is as follows:

	Number of shares <u>Weighted Average</u>	<u>Exercise Price</u>
Outstanding January 31, 2004	2,510,000	0.17
Granted	1,250,000	0.66
Exercised	<u>2,160,000</u>	<u>0.14</u>
Outstanding, January 31, 2005	<u><u>1,600,000</u></u>	<u><u>0.58</u></u>

Options Granted

During the year, 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
January 12, 2005 250,000 at a price of \$1.09 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 and \$0.83 per option respectively. The Company has recorded \$419,100 in stock based compensation expense on 1,000,000 stock options and \$207,500 on 250,000 stock options during the year.

A summary of the status of the Company incentive stock option plan as at January 31, 2005 is as follows:

<u>Number of shares Under Option</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
350,000	0.29	January 12, 2009
1,000,000	0.55	July 22, 2009
<u>250,000</u>	<u>1.09</u>	<u>January 11, 2010</u>
<u><u>1,600,000</u></u>		

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>
2,800,000	0.15	January 5, 2006
1,755,000	0.36	January 22, 2006

Non-cash Financing Activities

During the year, 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.

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

Subsequent to January 31, 2005, 125,000 options and 395,000 warrants were exercised for proceeds of \$178,450.

On February 17, 2005, the Company announced that having received regulatory approval, it has issued 125,000 shares to Altius Minerals Corporation, towards the Company's acquisition of a 70% interest in the Rocky Brook uranium property.

On February 22, 2005, the Company announced that it had received the results and interpretation of the MEGATEM survey over its Black Lake project. This survey identified several anomalous electromagnetic (EM) and ground magnetic responses that warrant follow-up. The interpreted EM conductors are anywhere from two to eight kilometers in length. Attempts this spring to ground define some of these conductors had to be aborted, because of poor weather. The plans and timing of follow-up programs will be announced at a later date. It should be noted that a number of the target areas are amenable to year round exploration, including diamond drilling.

On February 28, 2005, the Company served notice to Kennecott Canada Exploration Inc., that pursuant to the terms of the Athabasca Basin Project Reorganization Agreement dated December 4, 2002 and amended on October 1, 2003; the Company has incurred the required minimum Expenditures, and has duly and completely exercised its option to acquire the 50% interest held by Kennecott in and to the Moore Lake claims.

On April 27, 2005, Masuparia Gold Corp. announced that it has initiated a 1500 meter diamond drilling program on the Greywacke gold project. This program should take 3 to 4 weeks to complete.

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