Collins Barrow
Chartered Accountants & Consultants

Collins Barrow Calgary LLP
1400 First Alberta Place
777 – 8th Avenue S.W.
Calgary, Alberta, Canada
T2P 3R5

T. (403) 298-1500
F. (403) 298-5814
e-mail: calgary@collinsbarrow.com

Auditors' Report

To the Shareholders
Altius Minerals Corporation

We have audited the consolidated balance sheets of Altius Minerals Corporation as at April 30, 2004 and 2003 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "Collins Barrow Calgary LLP"
CHARTERED ACCOUNTANTS

Calgary, Alberta
July 26, 2004

Altius Minerals Corporation

Consolidated Balance Sheets

April 30, 2004 and 2003

	2004	2003
Assets		
Current assets		
Cash and cash equivalents	$ 1,340,357	$ 516,338
Marketable securities (market value - $542,500; 2003 - $1,450,446)	466,738	1,450,446
Accounts receivable	137,277	361,489
Prepaid expenses	32,025	22,820
	1,976,397	2,351,093
Mineral properties and deferred exploration costs (Schedule)	1,514,298	854,227
Property and equipment (note 3)	75,248	54,197
Investments (note 4)	10,619,367	42,500
	$ 14,185,310	$ 3,302,017
Liabilities		
Current liabilities		
Bank overdraft	$ -	$ 334,117
Accounts payable and accrued liabilities	199,651	133,970
	199,651	468,087
Shareholders' Equity		
Share capital (note 6)	15,805,255	4,657,599
Contributed surplus	885,778	55,500
Deficit	(2,705,374)	(1,879,169)
	13,985,659	2,833,930
	$ 14,185,310	$ 3,302,017

Approved by the Board,

(signed) "Brian Dalton", Director

(signed) "Roland Butler", Director

Altius Minerals Corporation

Consolidated Statements of Loss and Deficit

Years Ended April 30, 2004 and 2003

	2004	2003
Interest income	$ 44,842	$ 76,106
Expenses		
General and administrative	588,722	442,641
Mineral properties abandoned or impaired	222,158	58,480
Stock-based compensation costs	76,726	55,500
Amortization	38,964	17,031
	926,570	573,652
Loss before the following	(881,728)	(497,546)
Gain (loss) on disposal of:		
Marketable securities	22,825	-
Investments	34,850	-
Property and equipment	(2,152)	-
Write-down of marketable securities to market value	-	(48,210)
	55,523	(48,210)
Net loss	(826,205)	(545,756)
Deficit, beginning of year	(1,879,169)	(1,333,413)
Deficit, end of year	$ (2,705,374)	$ (1,879,169)
Net loss per share (basic and diluted) (note 6[g])	$ (0.04)	$ (0.03)

Altius Minerals Corporation

Consolidated Statements of Cash Flows

Years Ended April 30, 2004 and 2003

	2004	2003
Net loss	$ (826,205)	$ (545,756)
Items not involving cash		
Mineral properties abandoned or impaired	222,158	58,480
Stock-based compensation costs	76,726	55,500
Amortization	38,964	17,031
Gain on disposal of marketable securities	(22,825)	-
Gain on disposal of investments	(34,850)	-
Loss on disposal of property and equipment	2,152	-
Write-down of marketable securities	-	48,210
	(543,880)	(366,535)
Change in non-cash working capital balances related to operating activities	(35,199)	(32,005)
	(579,079)	(398,540)
Financing activities		
Proceeds from issuance of shares, net of issuance costs	11,119,652	1,330,281
Change in non-cash working capital balances related to financing activities	(24,646)	50,627
	11,095,006	1,380,908
Investing activities		
Acquisition of investment in limited partnership	(9,934,700)	-
Acquisition of marketable securities	-	(468,496)
Proceeds from disposition of marketable securities	1,006,533	-
Proceeds from disposition of investments	42,183	-
Acquisition of mineral properties and deferred exploration costs, net of recoveries	(750,175)	(171,842)
Acquisition of property and equipment	(62,167)	(39,260)
Change in non-cash working capital balances related to investing activities	340,535	(184,393)
	(9,357,791)	(863,991)
Increase in cash and cash equivalents	1,158,136	118,377
Cash and cash equivalents, beginning of year	182,221	63,844
Cash and cash equivalents, end of year	$ 1,340,357	$ 182,221
Cash and cash equivalents consists of:		
Deposits with banks (bank overdraft)	$ 384,879	$ (334,117)
Term deposits/bankers' acceptances	955,478	516,338
	$ 1,340,357	$ 182,221

Supplementary cash flow information (note 10)

Altius Minerals Corporation

Consolidated Schedule of Mineral Properties and Deferred Exploration Costs

Year Ended April 30, 2004

	Balance, Beginning of Year	Net Additions	Abandoned of Impaired	Balance End of Year
Rambler (note 8[a])	$ 141,706	$ 342,829	$ -	$ 484,535
Twilight (note 8 [b])	59,989	76,927	(620)	136,296
South Tally Pond (note 8[c])	79,736	46,210	-	125,946
Central Mineral Belt - Labrador	13,212	108,985	-	122,197
Lockport	65,375	332	-	65,707
Baie d'Espoir	82,557	2,040	(31,361)	53,236
Rocky Brook	23,251	29,973	-	53,224
Labrador West	4,581	44,886	-	49,467
Shamrock	39,276	3,495	-	42,771
Taylor Brook	20,850	10,108	-	30,958
Mustang Trend	775	27,774	(500)	28,049
Point Leamington	26,477	1,510	-	27,987
Michikamau	-	22,469	-	22,469
Merasheen	1,871	12,371	-	14,242
Miguel's Trend	-	10,109	(450)	9,659
Bay d'Norde	-	8,523	-	8,523
Moosehead	14,711	(9,153)	-	5,558
Flint Cove	4,639	-	-	4,639
Montgomery Lake	-	4,426	-	4,426
Martin Lake	-	4,189	-	4,189
Victoria River	2,984	749	-	3,733
Julienne Lake	-	2,235	-	2,235
Robert's Arm	1	-	-	1
Wild Cove	1	-	-	1
Cross Hills	103,615	1,414	(105,029)	-
Butler's Pond	34,360	6,135	(40,495)	-
Exploit's River	19,593	14,641	(34,234)	-
West Coast	10,553	(10,553)	-	-
Bishop's Falls	1,976	(1,976)	-	-
Labrador East	1,239	(1,239)	-	-
Oil Islands	400	-	(400)	-
General exploration	-	9,019	(9,019)	-
Security deposits	100,499	113,801	(50)	214,250
	$ 854,227	$ 882,229	$ (222,158)	$ 1,514,298

Altius Minerals Corporation

Consolidated Schedule of Mineral Properties and Deferred Exploration Costs

Year Ended April 30, 2003

	Balance, Beginning of Year	Net Additions	Abandoned of Impaired	Balance End of Year
Rambler	$ 87,194	$ 54,512	$ -	$ 141,706
Cross Hills	31,771	72,384	(540)	103,615
Baie d'Espoir	10,657	78,100	(6,200)	82,557
South Tally Pond	72,916	6,820	-	79,736
Lockport	65,625	-	(250)	65,375
Twilight	1,725	58,264	-	59,989
Shamrock	39,276	-	-	39,276
Butler's Pond	33,921	439	-	34,360
Point Leamington	26,477	-	-	26,477
Rocky Brook	35,983	(12,732)	-	23,251
Taylor Brook	14,002	6,848	-	20,850
Exploit's River	-	19,593	-	19,593
Moosehead	58,252	(43,541)	-	14,711
Central Mineral Belt – Labrador	-	13,212	-	13,212
West Coast	-	10,553	-	10,553
Flint Cove	4,639	-	-	4,639
Labrador West	-	4,581	-	4,581
Victoria River	2,458	526	-	2,984
Bishop's Falls	-	1,976	-	1,976
Merasheen	-	1,871	-	1,871
Labrador East	-	1,239	-	1,239
Mustang Trend	27,163	(26,388)	-	775
Oil Islands	-	400	-	400
Robert's Arm	125	(124)	-	1
Wild Cove	1	-	-	1
Red Bay	-	1,154	(1,154)	-
Miguel's Trend	35,036	(35,036)	-	-
Jocko Pond	1,160	162	(1,322)	-
Linear	596	(596)	-	-
General exploration	-	1,814	(1,814)	-
Security deposits	134,538	13,161	(47,200)	100,499
	$ 683,515	$ 229,192	$ (58,480)	$ 854,227

1. Nature of operations

The Corporation's principal business activities include mineral property exploration and development. The Corporation is in the process of exploring and developing its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable.

The recoverability of the amounts shown for mineral properties and deferred exploration costs is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Corporation to obtain necessary financing to complete the development of the properties, and the generation of sufficient income through future production from or the disposition of such assets.

2. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Altius Resources Inc. and 11073 Newfoundland Limited.

(b) Cash and cash equivalents

Cash and cash equivalents consists of amounts on deposit with banks, term deposits and bankers' acceptances with a maturity of 90 days or less when purchased.

(c) Marketable securities

Marketable securities are carried at the lower of cost and market value.

(d) Investments

The Corporation uses the cost method to account for its investments, whereby the Corporation's investment is recorded at its original cost and earnings from the Corporation's investment is recognized only to the extent received or receivable. Where there has been a permanent decline in value, the investment is stated at net realizable value.

(e) Mineral properties and deferred exploration costs

The amount shown for mineral properties and deferred exploration costs includes the direct costs of acquiring, maintaining, exploring and developing properties, an allocation of management fees, salaries based on time spent, stock-based compensation costs based on time spent, and other costs directly related to specific properties. All other costs, including administrative overhead, are expensed as incurred. Mineral properties acquired for share consideration are recorded at the fair value of the shares at the date of acquisition.

Incidental revenue derived from management fees and option payments received from third parties for the right to explore mineral properties are recorded first as a reduction of the specific mineral property and deferred exploration costs to which the fees and payments relate, then as a reduction to general exploration costs, and any excess as a reduction to general and administrative expense.

Management periodically reviews the carrying values of mineral properties and deferred exploration costs with internal and external mining professionals. A decision to abandon, reduce or expand activity on a specific project is based upon many factors including general and specific assessments of mineral reserves, anticipated future mineral prices, anticipated costs of developing and operating a producing mine, the expiration date of mineral property leases, and the general likelihood that the Corporation will continue exploration on the project. The Corporation does not set a pre-determined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable prospects at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and carrying values are appropriate.

If a mineral property is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or determination of impairment of value. The amounts recorded as mineral properties and deferred exploration costs represent unamortized costs to date and do not necessarily reflect present or future values.

The accumulated costs of mineral properties and deferred exploration costs that are developed to the stage of commercial production will be amortized to operations on a unit-of-production basis over economically recoverable reserves.

(f) Property and equipment

Property and equipment is recorded at cost. Amortization is provided using the following methods and annual rates:

Computer equipment	30% declining balance
Computer software	100% straight line and 4 years straight line
Geological equipment	30% declining balance
Office equipment	20% declining balance
Leasehold improvements	3 years straight line

(g) Measurement uncertainty

The valuation of the mineral properties and deferred exploration costs and investment in Labrador Nickel Royalty Limited Partnership is based on management's best estimate of the future recoverability of these assets. The amount recorded for amortization of property and equipment is based on management's best estimate of the remaining useful lives of these assets.

By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements from changes in such estimates in future periods could be significant.

(h) Income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at the carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

(i) Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada) (the “Act”). The Act provides that, where share issuance proceeds are used for exploration and development expenditures, the related income tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no income tax deduction to the Corporation.

Share capital is reduced and a future income tax liability is recorded equal to the estimated amount of future income taxes payable by the Corporation as a result of the renunciations when the expenditures are made. Where at the time of issuance the Corporation has unrecorded net tax assets exceeding the deductions renounced, no future income tax liability is recorded.

(j) Stock-based compensation

Effective May 1, 2003, the Corporation prospectively adopted the Canadian Institute of Chartered Accountants (“CICA”) new standard with respect to accounting for stock-based compensation arrangements relating to stock options granted to employees and directors. Stock options granted to employees and directors, on or after May 1, 2003, are accounted for using the fair value method. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant. The compensation cost is recognized over the vesting periods of the respective options as an expense or capitalized to mineral properties and deferred exploration costs.

Effective May 1, 2002, the Corporation prospectively adopted the CICA accounting standard with respect to accounting for stock-based compensation arrangements. Stock options granted to non-employees on or after May 1, 2002 are accounted for using the fair value method. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant. The compensation cost is recognized over the vesting periods of the respective options. The Corporation elected to use the intrinsic value based method of accounting for stock options granted to employees and directors in the year ended April 30, 2003, whereby no amount is recorded for stock options that have an exercise price equal to or greater than the fair value of the stock at the date options are granted. However, the pro forma effect of accounting for stock options granted to employees and directors, during the year ended April 30, 2003, using the fair value method is disclosed in note 7(c). During the year ended April 30, 2004, the fair value of options granted to employees and directors were recorded in the consolidated financial statements.

The amounts recorded and disclosed relating to fair values of stock options issued, and the resulting income and pro forma income effects (note 7[c]) are calculated under the Black-Scholes option pricing model using estimates of future volatility of the Corporation's share price, expected lives of the options, expected dividends to be paid by the Corporation and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements of future periods could be significant.

(k) Government assistance

Government assistance received or receivable in respect of mineral property exploration costs is reflected as a reduction of the cost of the property and the related deferred exploration costs.

(l) Diluted income per share

Diluted income per share is calculated using the Treasury Stock Method, whereby it is assumed that proceeds received on the exercise of stock options and warrants are used to repurchase Corporation shares at the weighted-average market price during the year.

3. Property and equipment

	2004			2003		
	Cost	**Accumulated Amortization**	**Net Book Value**	**Cost**	**Accumulated Amortization**	**Net Book Value**
Computer equipment and software	$ 97,213	$ 49,358	$ 47,855	$ 49,430	$ 26,742	$ 22,688
Office equipment	43,906	22,530	21,376	41,734	17,187	24,547
Geological equipment	8,595	2,578	6,017	-	-	-
Leasehold improvements	7,180	7,180	-	7,180	218	6,962
	$ 156,894	$ 81,646	$ 75,248	$ 98,344	$ 44,147	$ 54,197

Leasehold improvements were written down in the amount of $4,352 in the year ended April 30, 2004 (2003 - $nil). This amount has been included in amortization expense.

4. Investments

	2004	2003
Investment in Labrador Nickel Royalty Limited Partnership - 750,000 units representing a 7.5% interest, at cost (note 4[a])	$ 10,557,200	$ -
Investments, at cost (market value - $102,250; 2003 - $20,500) (note 4[b])	62,167	42,500
	$ 10,619,367	$ 42,500

(a) On July 10, 2003, the Corporation acquired 750,000 Class B limited partner units, representing a 7.5% limited partnership interest, in the newly formed Labrador Nickel Royalty Limited Partnership (Limited Partnership). Class B units have a preference over Class A units, held by the general partner, with respect to the return of capital contributions. For this acquisition, the Corporation paid cash consideration of $9,750,000 and issued 750,000 share purchase warrants. Each warrant entitles the holder to purchase one common share as follows:

500,000 warrants at $2.00 per share to December 31, 2006;

250,000 warrants at $2.50 per share to December 31, 2003, $3.00 per share thereafter to December 31, 2004, $3.50 per share thereafter to December 31, 2005, and $4.00 per share thereafter to December 31, 2006.

The fair value of the warrants is $622,500, using the Black-Scholes option-pricing model with the following assumptions:

Expected life (years)	3.5
Risk-free interest rate (%)	3.52
Expected volatility (%)	79
Expected dividend yield (%)	-

The amount of $622,500 is included as a cost of the interest in the Limited Partnership with a corresponding amount reflected as contributed surplus. (No warrants have been exercised as of April 30, 2004).

The Limited Partnership acquired a 100% interest in the 3% net smelter returns royalty (NSR) in respect of production from the Voisey's Bay Mine in the Province of Newfoundland and Labrador from the general partner on July 10, 2003. The general partner holds 9,250,000 Class A units in the Limited Partnership, representing a 92.5% interest.

The Corporation has the right to acquire from the general partner an additional 2.5% interest in the Limited Partnership on or before December 31, 2006. The exercise price for the additional 2.5% interest varies on a quarterly basis commencing on August 15, 2003 with an exercise price of $2,238,750 USD and escalating to November 15, 2006 at an exercise price of $3,019,250 USD. The purchase price is payable in Canadian dollars with the exercise price converted to Canadian dollars based on the preceding 30 day average of the Canada/United States currency exchange ratio.

Voisey's Bay Nickel Company Limited, developer of the Voisey's Bay project, has been granted a right of first offer with respect to a disposition of any interest in the Limited Partnership, excluding the 2.5% referred to in the previous paragraph.

(b) The Corporation received shares in public companies as partial consideration for the grant of options to third parties with respect to their purchase of mineral claims.

5. Income taxes

(a) Significant components of the future tax asset at April 30, 2004 and 2003 are as follows:

	2004	2003
Temporary differences related to mineral properties and deferred exploration costs	$ 131,292	$ 85,852
Tax values of property and equipment in excess of net book values	30,797	15,946
Share issuance costs	260,868	38,692
Non-capital loss carry forwards	637,098	461,260
Other	6,158	18,328
Valuation allowance	(1,066,213)	(620,078)
	$ -	$ -

(b) Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 36.12% (2003 - 42.79%) to loss before income taxes as follows:

	2004	2003
Expected tax recovery	$ (298,425)	$ (233,529)
Resource allowance	37,423	36,310
Stock-based compensation costs	26,650	23,749
Tax rate reductions	9,216	115,518
Other	(5,289)	(835)
Future tax benefit not recognized	230,425	58,787
	$ -	$ -

(c) The Corporation has available the following estimated non-capital loss carry forwards for which no benefit has been recognized in the consolidated financial statements.

Amount	Year of Expiry
$ 191,230	2005
185,392	2006
248,538	2007
293,460	2008
165,795	2009
165,468	2010
514,081	2011
$ 1,763,964	

6. Share capital

(a) Authorized

Unlimited number of common voting shares
Unlimited number of First Preferred shares
Unlimited number of Second Preferred shares

The First and Second Preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

(b) Issued - Common shares

	2004		2003	
	Number	**Stated Value**	**Number**	**Stated Value**
Balance, beginning of year	16,719,534	4,657,599	15,064,284	3,227,468
Exercise of stock options (note 7[a])	295,000	141,300	345,250	107,550
Exercise of warrants (notes 6[c] and [d])	1,101,396	1,948,334	235,000	363,000
Pursuant to a private placement (note 6[d] and [e])	6,250,000	10,000,000	1,000,000	1,050,000
Pursuant to acquisition of mineral properties	45,000	129,700	75,000	99,850
	24,410,930	16,876,933	16,719,534	4,847,868
Less: Share issuance costs		1,071,678		190,269
Balance, end of year		15,805,255		4,657,599

(c) Warrants issued pursuant to private placements were exercised during the year ended April 30, 2004 resulting in the issuance of 400,000 common shares at $1.25 per share, 100,000 common shares at $1.50 per share, 316,184 common shares at $2.00 per share and 65,000 flow through common shares at $1.20 per share for aggregate proceeds of $1,360,368 and agents warrants were exercised resulting in the issuance of 220,212 common shares at $2.00 per share for proceeds of $440,424 (2003 - 100,000 common shares at $1.25 per share and 135,000 flow through common shares at $1.20 per share for aggregate proceeds of $287,000). An additional $147,542 (2003 - $76,000) was reclassified from contributed surplus to share capital upon the exercise of agent warrants.

(d) Pursuant to a private placement offering in July 2003, the Corporation issued 6,250,000 units at $1.60 per unit for aggregate proceeds of $10,000,000. Each unit consists of one common share and one half of a common share purchase warrant. One whole warrant entitles the holder to purchase one common share at $2.00 per share until July 11, 2005. As of April 30, 2004, 316,184 whole warrants (note 6[c]) have been exercised. Subsequent to April 30, 2004, 74,625 whole warrants were exercised resulting in the issuance of 74,625 common shares at $2.00 per share for aggregate proceeds of $149,250.

The Corporation paid a cash commission of $694,400 to the agents for placing the above units and also issued 372,000 warrants to the agents, with each warrant entitling the holder to purchase one common share at $2.00 per share until July 11, 2005. The fair value of the warrants issued to the agents at the date of closing of the private placement was $0.67 per warrant, using the Black-Scholes option pricing model with the following assumptions:

Expected life (years)	2
Risk-free interest rate (%)	3.15
Expected volatility (%)	75
Expected dividend yield (%)	-

The fair value of $249,240 has been included in share issuance costs and contributed surplus. Subsequent to April 30, 2004, 20,634 warrants were exercised resulting in the issuance of 20,634 common shares for aggregate proceeds of $41,268.

(e) Pursuant to a private placement in May 2002, the Corporation issued 1,000,000 units at $1.05 per unit, for aggregate proceeds of $1,050,000. Each unit consists of one common share and one-half of a common share purchase warrant. One whole warrant entitles the holder to purchase one common share at $1.25 per share until May 16, 2003 and $1.50 per share thereafter, until May 16, 2004. During the year ended April 30, 2004, 500,000 whole warrants, being all warrants in this issuance, were exercised as follows: 400,000 and 100,000 whole warrants at $1.25 and $1.50, respectively, for aggregate proceeds of $650,000 [note 6(c)].

The Corporation paid a cash commission of $73,500 to the agent for placing the units. The Corporation also issued 100,000 warrants to the agent. Each warrant entitles the agent to purchase one common share at $1.25 per share until May 16, 2003. During the year ended

April 30, 2003, the warrants were exercised by the agent (note 6[c]). The fair value of the warrants issued to the agent at the date of the closing of the private placement was $0.76 per warrant, using the Black-Scholes option-pricing model with the following assumptions:

Expected life (years)	1
Risk-free interest rate (%)	3.4
Expected volatility (%)	94
Expected dividend yield (%)	-

The stock-based compensation cost of $76,000 was included in share issuance costs during the year ended April 30, 2003.

(f) During the year ended April 30, 2004, 65,000 warrants (note 6[c]) were exercised at $1.20 per share for 65,000 flow through common shares (2003 - 135,000 warrants at $1.20 per share for 135,000 flow through common shares). In accordance with the terms of the initial offering and pursuant to certain provisions of the Income Tax Act, the Corporation expended and renounced exploration expenditures in the amount of $78,000 effective December 31, 2003. The Corporation renounced exploration expenditures in the amount of $162,000 effective December 31, 2002. To April 30, 2003, $43,185 was expended on exploration, with the remaining $118,815 expended by December 31, 2003.

(g) Net loss per share

Net loss per share has been calculated using the weighted average number of common shares of 22,479,739 (2003 - 16,218,941) outstanding during the year. The exercise of options and warrants would not be dilutive.

7. Stock-based compensation

(a) The Corporation has a stock option plan under which directors, officers, employees and consultants of the Corporation and of its subsidiaries are eligible to receive stock options. The aggregate number of shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Corporation at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Corporation. Options granted under the plan generally have a term of five years but may not exceed five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Corporation's common shares are then listed.

A summary of the status of the Corporation's stock option plan as of April 30, 2004 and 2003 and changes during the years then ended is as follows:

	2004		2003	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,180,000	$ 0.84	1,095,250	$ 0.43
Granted	240,000	3.04	470,000	1.39
Exercised	(295,000)	0.48	(345,250)	0.31
Cancelled	-	-	(40,000)	0.55
Outstanding, end of year	1,125,000	$ 1.40	1,180,000	$ 0.84
Exercisable, end of year	933,000	$ 1.07	1,180,000	$ 0.84

Subsequent to April 30, 2004, 40,000 common shares were issued upon the exercise of 40,000 stock options at $0.35 per share for aggregate proceeds of $14,000.

(b) The following table summarizes information about stock options outstanding and exercisable at April 30, 2004:

Exercise Prices	Number of Outstanding Options	Weighted Average Remaining Contractual Life of Outstanding Options	Number of Exercisable Options	Weighted Average Remaining Contractual Life of Exercisable Options
$0.35	40,000	0.02	40,000	0.02
$0.55	405,000	2.27	405,000	2.27
$1.35	390,000	3.38	390,000	3.38
$1.75	50,000	3.75	50,000	3.75
$3.00	220,000	4.80	44,000	4.80
$3.50	20,000	4.90	4,000	4.90
	1,125,000	3.19	933,000	2.85

(c) The weighted-average fair value of stock options granted during 2004 and 2003 was estimated on the dates of grant to be $2.21 (2003 - $1.09) using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2004	**2003**
Expected life (years)	5	5
Risk-free interest rate (%)	3.29	4
Expected volatility (%)	86	105
Expected dividend yield (%)	-	-

Compensation costs of $76,726 (2003 - $55,500) have been expensed and $29,354 (2003 - nil) have been capitalized to mineral properties and deferred exploration costs, resulting in the recognition of $106,080 (2003 - $55,500) in contributed surplus.

On a pro forma basis, had the compensation cost for the stock options issued to employees and directors been recorded based on the fair value method for options granted during the year ended April 30, 2003, the Corporation's net loss and net loss per share for the year ended April 30, 2003 would have been as follows:

Stock-based compensation costs	$ 458,700
Net loss	
As reported	545,756
Pro forma	1,004,456
Net loss per share - basic and diluted	
As reported	(0.03)
Pro forma	(0.06)

There was no effect on 2004 pro forma results for 2003 options granted to employees and directors.

8. Commitments

(a) Rambler

Pursuant to an option agreement to purchase an interest in certain Rambler mineral claims and a mining lease, the Corporation can elect to issue 25,000 common shares on November 1, 2004 and 100,000 common shares on November 1, 2005. The Corporation must incur exploration expenditures of $500,000 within a four year period commencing November 1, 2001, with a minimum expenditure in each year equal to the minimum amount required to maintain the property in good standing with the Department of Mines and Energy of the Government of Newfoundland and Labrador.

Upon completion of the above option payments and the required expenditures, the Corporation will have earned a 100% interest in the property, subject to the retention by the Vendor of a 1% Royalty.

The Corporation has the option and right to purchase the Royalty at any time thereafter for $500,000.

The Corporation has a commitment to rent office and core shed facilities on the property at an amount of $1,833 per month during the period of the option agreement.

(b) Twilight

Pursuant to an option agreement to purchase an interest in certain Twilight mineral claims, the Corporation can elect to pay $12,500 and issue 10,000 common shares on November 12, 2004, and pay $200,000 on the date which is twelve months following the commencement by the Corporation of commercial production of the property.

Upon completion of the above option payments, the Corporation will have earned a 100% interest in the property, subject to the retention by the Vendor of a 2% Royalty.

The Corporation has the option and right to purchase 50% of the Royalty at any time thereafter for $1,500,000.

(c) South Tally Pond

Pursuant to an option agreement, the Corporation has the option and right to acquire an interest in two mineral licenses representing 190 mining claims. The Corporation must incur expenditures in respect of exploration and development of the property totalling at least $500,000 on or before December 18, 2004.

Upon completion of the required $500,000 expenditures, the Corporation will have earned a 100% interest in the property, subject to the retention by the Vendor of a 2% Royalty, and the right by the Vendor to purchase up to 100% of concentrate produced from the property on a commercially competitive basis.

In addition, upon commencement of production on any part of the property, the Corporation agrees to either issue to the Vendor 1,000,000 common shares or, in the event that the Corporation assigns its interest to a third party, 1,000,000 common shares pro-rated to the participating interests of the Corporation and the third party, or pay the Vendor $2,000,000.

(d) Rocky Brook

Pursuant to an option agreement to purchase an interest in certain Rocky Brook mineral claims, the Corporation could elect to issue 50,000 common shares on April 26, 2004.

Pursuant to an amending agreement, 10,000 common shares were issued on April 26, 2004. The remaining 40,000 common shares are to be issued on April 26, 2005 and 2006 in the amount of 15,000 and 25,000 common shares, respectively.

Upon completion of the above option payments, the Corporation will have earned a 100% interest in the property, subject to retention by the Vendor of a 2% Royalty.

(e) Equipment and office space leases

The Corporation is committed under leases on equipment and office space including operating costs (in addition to note 8[a]) for annual future minimum lease payments of $39,000 for each of the next five years to April, 2009.

(f) Mineral property expenditures

The Company has obtained various mineral rights licenses by staking claims and paying refundable security deposits. Certain expenditures are required on an annual basis, from the date of license issuance, in order to maintain the licenses in good standing and for refund of security deposits. The Company has the option of reducing claims on a property if the required expenditures are not met. The Company is required to spend $686,000 by April 30, 2005 in order to maintain various licenses in good standing, of which $401,000 is required to be spent for a refund of security deposits in the amount of $98,000. Various third parties have entered option agreements to earn interests into certain mineral licenses held by the Company. These parties, to maintain their rights under the option agreements, are required to spend an additional $822,000 by April 30, 2005, thus maintaining those licenses held by the Company in good standing and satisfying requirements for security deposit refunds in the amount of $116,250.

9. Government assistance

During the year ended April 30, 2004, the Government of Newfoundland and Labrador contributed a total of $ 342,831 (2003 - $247,397) to the Corporation under the Junior Company Exploration Assistance Program. The amounts were recorded as a reduction of deferred exploration costs on the respective properties. According to the contribution agreements, the projects to which contributions related were required to be completed to the satisfaction of the Minister of Mines and Energy ("the Minister") by a specific date. Repayment of contributions is required if the Corporation fails to comply with terms of the agreements, the Corporation becomes bankrupt or insolvent, distress or execution is levied or issued against properties of the Corporation used in the projects, the Corporation ceases to carry on business, the Corporation defaults in performance of any of the conditions contained in the contribution agreement, or if the Corporation uses any funds provided under the agreements for any purpose other than authorized by the Minister.

10. Supplementary cash flow information

	2004	**2003**
Non-cash investing and financing activities		
The acquisition of investments as partial consideration for the option payments received on mineral properties	$ 27,000	$ 42,500
The acquisition of mineral properties in exchange for common shares (note 6[b])	$ 129,700	$ 99,850
Contributed surplus recognized upon the issuance of stock options recorded as:		
Compensation costs	$ 76,726	$ 55,500
Mineral properties and deferred exploration costs	$ 29,354	$ -
Contributed surplus recognized upon the issuance of warrants to:		
Agents and recorded as share issuance costs (note 6[d])	$ 249,240	$ -
Non-employees and recorded as investment (note 4[a])	$ 622,500	$ -

11. Financial instruments

The fair values of accounts receivable and accounts payable and accrued liabilities are estimated to approximate their carrying values due to the short-term nature of these financial instruments.

12. Comparative figures

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