Financial Statements

Stroud Resources Ltd.

December 31, 2004 and 2003

AUDITORS' REPORT

To the Shareholders of
Stroud Resources Ltd.

We have audited the balance sheets of **Stroud Resources Ltd.** as at December 31, 2004 and 2003 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Ernst & Young LLP

Toronto, Canada,
March 15, 2005.

Chartered Accountants

Stroud Resources Ltd.
Incorporated under the laws of Ontario

BALANCE SHEETS

[In Canadian dollars]

As at December 31

	2004 $	2003 $
ASSETS		
Current		
Cash	**644,687**	256,405
Short-term investments	**1,723,278**	—
Royalty tax recoverable	**588**	—
Amounts due from related parties *[note 6]*	**108,668**	—
Accounts receivable	**5,791**	8,910
Prepaid expenses	**4,638**	3,963
Total current assets	**2,487,650**	269,278
Capital assets, net *[note 3]*	**51,482**	7,509
Mineral properties and deferred costs *[note 4]*	**2,547,126**	2,320,380
Oil and gas interests, net of accumulated depletion of $262,569 [2003 - $246,569] *[note 5]*	**82,612**	23,138
	5,168,870	2,620,305
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**134,597**	213,750
Royalty tax payable	**—**	3,771
Total current liabilities	**134,597**	217,521
Commitments *[notes 10 and 12]*		
Shareholders' equity *[note 7]*		
Share capital	**10,770,293**	7,854,658
Loans payable *[notes 6 and 7[c]]*	**—**	75,000
Contributed surplus	**316,086**	143,811
Deficit	**(6,052,106)**	(5,670,685)
Total shareholders' equity	**5,034,273**	2,402,784
	5,168,870	2,620,305

See accompanying notes

On behalf of the Board:

George E. Coburn
Director

Lonnie Kirsh
Director

Stroud Resources Ltd.

STATEMENTS OF LOSS AND DEFICIT

[In Canadian dollars, unless otherwise noted]

Years ended December 31

	2004 $	2003 $
OIL AND GAS OPERATIONS		
Revenue, net of royalties	**125,419**	**53,814**
Operating expenses	**13,614**	**7,394**
Depletion of oil and gas interests	**16,000**	**3,000**
	29,614	**10,394**
Income from oil and gas operations	**95,805**	**43,420**
MINERAL OPERATIONS		
Mineral exploration costs	**1,837**	6,258
ADMINISTRATIVE EXPENSES		
Administrative fees	**25,200**	22,000
Business promotion	**90,617**	26,320
Licences and fees	**44,943**	34,276
Stock-based compensation *[note 7[b]]*	**172,275**	143,811
Office and general	**31,833**	29,112
Professional fees	**109,016**	90,155
Rent	**25,275**	16,098
	499,159	361,772
Loss before the following	**(405,191)**	(324,610)
Interest income	**23,770**	—
Net loss for the year	**(381,421)**	(324,610)
Deficit, beginning of year	**(5,670,685)**	(5,346,075)
Deficit, end of year	**(6,052,106)**	(5,670,685)
Basic and fully diluted loss per share	**$(0.005)**	$(0.005)
Basic and diluted weighted average number of common shares outstanding *[000's]*	**79,889**	63,704

See accompanying notes

Stroud Resources Ltd.

STATEMENTS OF CASH FLOWS

[In Canadian dollars]

Years ended December 31

	2004 $	2003 $
OPERATING ACTIVITIES		
Net loss for the year	**(381,421)**	(324,610)
Add items not involving cash		
Depletion and amortization	**22,564**	5,680
Stock-based compensation	**172,275**	143,811
	(186,582)	(175,119)
Net change in non-cash working capital balances related to operations *[note 8]*	**(189,736)**	28,902
Cash used in operating activities	**(376,318)**	(146,217)
INVESTING ACTIVITIES		
Purchase of short-term investments	**(1,723,278)**	—
Mineral properties and deferred costs	**(226,746)**	(72,131)
Capital assets	**(50,537)**	(5,789)
Oil and gas interests	**(75,474)**	(26,138)
Cash used in investing activities	**(2,076,035)**	(104,058)
FINANCING ACTIVITIES		
Issuance of common shares under private placement *[note 7]*	**1,955,635**	250,000
Issuance of common shares on the exercise of warrants *[note 7]*	**960,000**	—
Loan payable	**(75,000)**	—
Cash provided by financing activities	**2,840,635**	250,000
Net increase (decrease) in cash during the year	**388,282**	(275)
Cash, beginning of year	**256,405**	256,680
Cash, end of year	**644,687**	256,405

See accompanying notes

Stroud Resources Ltd.

NOTES TO FINANCIAL STATEMENTS

[In Canadian dollars, unless otherwise noted]

December 31, 2004 and 2003

1. NATURE OF OPERATIONS AND GOING CONCERN

Stroud Resources Ltd. [the "Company"] was incorporated on March 18, 1983. The Company, directly and through working interests, is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The success of the Company will be influenced by a number of factors including environmental risks, political risks, precious metals prices and the ability of the Company to discover economically recoverable reserves and to bring such reserves into future profitable production.

The recoverability of amounts shown as mineral properties and deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly, a material portion of the carrying value of mineral claims and options could be written off.

The Company has an accumulated deficit of $6,052,106 of which $381,421 in losses were incurred during the current year. Therefore, the Company's ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and its ability to obtain third party financing. The accompanying financial statements have been prepared on the assumption that the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business and do not reflect any adjustments that may be required if this assumption proves to be incorrect.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared within the framework of the significant accounting policies summarized below:

Short-term investments

Short-term investments are carried at the lower of cost and market and are comprised of highly liquid investments with maturity periods greater than 90 days but less than one year when purchased. As at December 31, 2004, of the $1,723,278, $23,278 represent accrued interest and bear interest at a rate of 2.10%. Given the nature of the investment, the carrying value approximates fair value.

Mineral properties and deferred costs

An impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

[i] the enterprise's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;

[ii] exploration results are not promising and no more work is being planned in the foreseeable future; or

[iii] remaining lease terms are insufficient to conduct necessary studies or exploration work.

Once an impairment has been determined then a portion of the carrying value will be written down to net realizable value.

Acquisition costs of mining claims, together with direct exploration and development expenditures thereon, are capitalized in the accounts by specific project and are written off if the project area is abandoned. When the carrying value of a property exceeds its net recoverable amount, the excess is charged to income.

Upon sale of an entire property, the capitalized costs of the property are removed from the accounts and any gain or loss thereon is recorded in income. Upon partial sale of a property, the proceeds are netted against the capitalized costs of the property and no gain or loss is recognized thereon.

Oil and gas interests

The Company follows the full cost method of accounting for oil and gas properties, whereby all the costs associated with the exploration for, and the development of, petroleum and natural gas reserves, whether productive or unproductive are capitalized in cost centers on a country by country basis. Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties and drilling and overhead expenses related to exploration and development activities. The Company currently has one Canadian cost centre.

The costs related to each cost centre are depleted and depreciated on a unit-of-production basis. The recoverability of a cost centre is tested by comparing the carrying value of the cost centre to the sum of the undiscounted cash flows expected from the cost centre's use and eventual disposition. If the carrying value is unrecoverable the cost centre is written down to its fair value estimated at the present value of expected future cash flows from proved and probable reserves and the value of unproved properties. This approach incorporates risks and uncertainties in the expected future cash flows which are discounted using a risk free rate. The cash flows are estimated using expected future product prices and costs.

Capital assets

Capital assets are recorded at acquisition cost less accumulated amortization. Amortization is provided on a declining balance basis from the month of purchase at the following annualized rates, which are expected to charge operations with the total cost of the assets over their estimated useful lives as follows:

Furniture and fixtures	20%
Leasehold improvements	30%
Other equipment	30%

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. The dilutive effect of warrants and stock options is determined using the treasury method.

Stock-based compensation plan

The Company has a stock-based compensation plan, which is further described in note 7[b]. Prior to January 1, 2003, no compensation expense was recognized for the plan when stock or stock options were issued to employees, officers and directors. During the fourth quarter of 2003, the Company adopted the fair value method of accounting for stock-based compensation plans in accordance with The Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3870, "Stock-based Compensation and other Stock-based Payments" ["CICA 3870"]. The Company has selected the prospective method of adoption and accordingly, results from prior years have not been restated. The fair value of stock options granted is recognized on a straight-line basis over the applicable vesting period as an expense in the statements of loss and deficit and as contributed surplus on the balance sheets. On the exercise of stock options, consideration received and the respective accumulated contributed surplus amount is credited to share capital.

Stock options and warrants awarded to non-employees are accounted for using the fair value method and expensed as the service or product is received.

Income taxes

The Company follows the liability method of tax allocation accounting. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured by using the substantively enacted tax rates that will be in effect when the differences are expected to reverse. Valuation allowances are provided if it is more likely than not that some or all of the future tax assets will not be realized.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions, particularly with respect to the valuation of mineral properties and deferred costs, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments

The carrying values represented in the balance sheets for accounts receivable, accounts payable and accrued liabilities and royalty tax payable (recoverable) approximate their fair values due to the short-term nature of these instruments.

[In Canadian dollars, unless otherwise noted]

Long-lived assets

Effective January 1, 2004, the Company adopted CICA Handbook Section 3063, "Impairment of Long-Lived Assets" that was issued during 2003. Adopting this section impacts the recognition, measurement and disclosure of the impairment of long-lived assets on a prospective basis. A loss is recognized on a long-lived asset held for use when its carrying value exceeds the undiscounted cash flows from its use and disposition. The amount of the loss is determined by deducting the asset's fair value [based on discounted cash flows] from its carrying value. Previously, the loss was determined by deducting the asset's net recoverable value [based on undiscounted cash flows] from its carrying value. The Company has reviewed its policies and determined that there was no impact as a result of the Company adopting this section.

3. CAPITAL ASSETS

Capital assets consist of the following:

	2004			**2003**		
	Cost $	**Accumulated amortization** $	**Net book value** $	**Cost** $	**Accumulated amortization** $	**Net book value** $
Furniture and fixtures	**34,934**	**30,456**	**4,478**	32,642	29,623	3,019
Leasehold improvements	**2,475**	**2,475**	**—**	2,475	2,037	438
Other equipment	**56,371**	**9,367**	**47,004**	8,126	4,074	4,052
	93,780	**42,298**	**51,482**	43,243	35,734	7,509

4. MINERAL PROPERTIES AND DEFERRED COSTS

The mineral properties to which the Company has exploration rights are as follows:

Hislop projects

The Company has a 100% interest in properties located in Hislop, Ontario. To date, there has been no revenue earned from this project, as production has not commenced.

The Company had capitalized costs in previous years of $3,539,667 with respect to other specific projects and general exploration in the Hislop region. Since the Company had not conducted exploration on the Hislop properties over the previous three fiscal years, management decided to write off these capitalized costs in order to comply with the accounting policy as described in note 2. Accordingly, all costs incurred prior to January 1, 2004 were expensed as incurred or written off in accordance with Accounting Guideline 11, “Enterprise in the Development Stage” [“AcG 11”].

During the year, the Company developed an exploration program in the Hislop region in order to further advance the properties. As at December 31, 2004, this site is considered to be in the pre-production stage and total costs of $203,878 [2003 - $48,638], incurred to further develop this site have been capitalized and included in mineral properties and deferred costs.

Leckie/Penrose project

The Company has a 100% interest in the Leckie/Penrose project. The interests in this property are 100% owned and not subject to any outstanding obligations or commitments. To date, there has been no revenue earned on this project as production has not commenced.

The Company had capitalized costs in previous years of $602,613 with respect to this project. Since the Company has not conducted exploration on the property over the previous three fiscal years, management decided to write off these capitalized costs in order to comply with the accounting policy as described in note 2. Accordingly, the carrying value associated with the Leckie/Penrose project is nil as all costs incurred to date have either been expensed as incurred or written off in accordance with AcG 11.

Compania Minera project

On April 18, 2002 and as amended September 27, 2002, the Company entered into an agreement with Amerix Precious Metals Corporation ["APM"] [formerly called New Bullet Group], a related party, whereby the two companies agreed in principle to form a joint venture, subject to APM meeting certain funding requirements, for the purpose of acquiring and operating mineral concessions in Mexico owned by Minera San Diego y La Espanola S.A de C.V. ["Compania Minera"], a private Mexican company. The Company had previously spent in excess of U.S.$1,000,000 on the acquisition of Compania Minera and the exploration of its concessions under option and exploration agreements with its owners.

APM was required to invest U.S. $1,000,000 in eligible expenditures, including the purchase or subscription for shares in the capital of Compania Minera. To date, APM has funded U.S. $946,717 as follows:

- Acquired 200,000 common shares in trust for cash consideration of U.S. $100,000. At the time of the transaction the 200,000 common shares represented 24% of the outstanding shares of Compania Minera;
- Acquired the option to purchase the remaining 75% or 600,000 common shares in trust for cash consideration of U.S. $150,000;
- Acquired 6,094,500 common shares of Compania Minera in trust through a private placement for cash consideration of U.S. $600,000; and
- The balance of $96,717 relates to professional fees.

One-half of all shares acquired to date by APM are held in trust for the Company. As at June 30, 2004, the shares held by APM represent approximately 91.3% of the common shares of Compania Minera.

As at December 31, 2004, this site is considered to be in the pre-production stage and total costs of $2,343,248 [2003 - $2,136,912] incurred to further develop this site have been capitalized and included in mineral properties and deferred costs.

5. OIL AND GAS INTERESTS

The Company holds interests [approximately 3.75%] in three oil and gas producing properties in Alberta. The properties are currently operated by Talisman Energy Inc. The Company's proportionate share of the revenue from these properties, net of operating expenses, is received from the operator on a monthly basis.

During the year, the Company spent $75,474 [2003 - $26,138] in developing a well.

[In Canadian dollars, unless otherwise noted]

6. RELATED PARTY TRANSACTIONS

Due from related parties consists of the following:

	2004 $	2003 $
Compañia Minera San Diego y La Espanola, S.A. de C.V.	**108,858**	—
Amount due from employee	**810**	—
	108,668	—

[i] The amount due from Compañia Minera San Diego y La Espanola, S.A. de C.V. relates to the pre-production costs as described in note 4.

[ii] The amount due from employee relates to miscellaneous Company expense.

During the year ended December 31, 2004, the Company entered into the following related party transactions:

- The Company paid to the President of the Company $84,000 [2003 - $55,000] in consulting fees. Of this amount $58,800 [2003 - $33,000], had been deferred and capitalized within mineral properties as they relate to the further development of the sites.

- The Company paid legal fees of $46,641 [2003 - $47,938] to a law firm in which a director of the Company is a partner. The legal services, which are in the normal course of operations, have been measured at the exchange amount.

- The Company repaid $75,000 in loans payable to the President of the Company and an individual directly related to the President *[note 7[c]]*.

All related party transactions have been accounted for at their exchange amount which represents fair value.

[In Canadian dollars, unless otherwise noted]

7. SHAREHOLDERS' EQUITY

[a] Share capital

Authorized share capital consists of unlimited common shares.

The continuity of share capital is as follows:

	Number #	Amount $
Balance, December 31, 2002	62,745,562	7,604,658
For cash *[i]*	5,000,000	250,000
Balance, December 31, 2003	67,745,562	7,854,658
For cash *[iii]*	12,233,411	1,955,635
Exercise of warrants *[ii]*	5,000,000	500,000
Exercise of warrants *[i]*	4,600,000	460,000
Balance, December 31, 2004	**89,578,973**	**10,770,293**

[i] On October 23, 2003 the Company completed a private placement for 5,000,000 units, raising gross proceeds of $250,000. Each unit consisted of one common share and one common share purchase warrant. Each full warrant entitles the holder to acquire one common share at an exercise price of $0.10 per share until October 1, 2004.

During 2004, 4,600,000 share purchase warrants were exercised at a price of $0.10 per share for total proceeds of $460,000, and 400,000 of the warrants expired unexercised.

[ii] On June 19, 2002 the Company completed a private placement for 7,000,000 units, raising gross proceeds of $350,000. Each unit consisted of one common share and one common share purchase warrant. Each full warrant entitled the holder to acquire one common share at an exercise price of $0.10 per share on or before June 18, 2004.

During 2004, 5,000,000 of the share purchase warrants were exercised at a price of $0.10 per share for total proceeds of $500,000 and 2,000,000 of the share purchase warrants expired unexercised.

[In Canadian dollars, unless otherwise noted]

[iii] On April 27, 2004, the Company completed a private placement for 12,233,411 units, raising proceeds of $1,955,638, net of issuance costs of $124,045. Each unit consisted of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to acquire one common share at an exercise price of $0.25. The Company is currently awaiting regulatory approval on the extension of the maturity of these warrants from January 29, 2005 to June 29, 2005. Management determined the warrants to have a nil value and accordingly, the proceeds from this issuance was allocated in its entirety to common shares.

[b] Stock options

As at December 31, 2004, the Company had available for issuance 1,833,500 stock options under this plan.

A summary of the status of the plan as at December 31 and changes during the years ended is presented below:

	2004		**2003**	
	Number \#	**Weighted average exercise price** $	**Number** \#	**Weighted average exercise price** $
Outstanding, beginning of year	**3,250,000**	**0.10**	6,200,000	0.05
Forfeited	—	—	(6,200,000)	0.05
Granted	**1,725,000**	**0.18**	3,250,000	0.10
Outstanding, end of year	**4,975,000**	**0.13**	3,250,000	0.10
Options exercisable, end of year	**3,841,667**	**0.11**	1,072,500	0.10

[In Canadian dollars, unless otherwise noted]

The following table summarizes information about stock options outstanding at December 31, 2004:

	Options outstanding		
Exercise price $	**Options outstanding** #	**Weighted average remaining contractual life** [years]	**Options exercisable** #
0.10	**3,250,000**	**1.80**	**3,250,000**
0.18	**1,725,000**	**2.76**	**591,667**
	4,975,000	**2.15**	**3,841,667**

The options granted during the year have a vesting period as follows: 1/3 vest immediately, 1/3 on the seven-month anniversary and 1/3 on the 13-month anniversary and expire three years from the date of grant.

The above outstanding options have a weighted average exercise price of $0.13 and a weighted average remaining contractual life of approximately three years.

Pro forma disclosure is calculated using the Black-Scholes option pricing model. The Black-Scholes option pricing model estimates the value of freely tradable, fully transferable options without vesting restriction, which significantly differs from the Company's stock option awards. This model also requires assumptions, including future stock price volatility and expected time until exercise, which greatly affects the calculated values. Accordingly, management believes that this model does not necessarily provide a reliable single measure of fair value of the Company's stock option awards.

During the year ended December 31, 2004, the Company issued 1,725,000 [2003 - 3,250,000] stock options. The fair value of the stock options was estimated using the Black-Scholes option pricing model using the following assumptions:

	2004	**2003**
Volatility	**58.5%**	140%
Risk free interest rate	**3.38**%	3.47%
Expected life [years]	**3**	3
Dividend yield	**nil**	nil

[In Canadian dollars, unless otherwise noted]

The fair value of the options issued in the current year was estimated to be $117,751 [2003 - $260,001] of which $52,085 [2003 - $143,811] was amortized and included in determining net loss for the year with a corresponding credit to contributed surplus. Total stock-based compensation expense recorded for the year was $172,275 [2003 - $143,811].

[c] Loans payable

During the year ended December 31, 2002, the Company received loans aggregating to $75,000. In lieu of interest charges, the Company previously issued 500,000 common shares at a prescribed value of $0.04 per share. For accounting purposes, the fair value of these common shares was previously classified as interest expense.

As at December 31, 2004, the loans have been repaid *[note 6]*.

8. STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2004 $	**2003** $
Amounts due from related parties	**(108,668)**	—
Accounts receivable	**3,119**	60
Prepaid expenses	**(675)**	(228)
Accounts payable and accrued liabilities	**(79,153)**	29,070
Royalty tax payable/recoverable	**(4,359)**	—
	(189,736)	28,902

The Company did not pay any interest or income taxes in 2004 and 2003.

[In Canadian dollars, unless otherwise noted]

9. INCOME TAXES

The Company has provided a full valuation allowance against its future tax assets. The future tax assets consist of the following temporary differences:

	2004 $	2003 $
Mineral properties and deferred costs	**365,000**	412,000
Non-capital losses carried forward	**463,000**	323,000
Capital assets	**65,000**	63,000
Other	**37,000**	4,000
Gross future tax assets	**930,000**	802,000
Valuation allowance	**(930,000)**	(802,000)
Net future tax assets	**—**	—

In addition, the Company also has non-capital losses totaling approximately $1,216,000 set to expire as follows:

2005	178,000
2006	125,000
2007	85,000
2008	106,000
2009	125,000
2010	215,000
2011	382,000
	1,216,000

For tax purposes, the Company has a Canadian Exploration Expense tax pool, a Canadian Development Expense tax pool and a Foreign Exploration and Development Expenses tax pool aggregating approximately $3,000,000, the benefit of which has not been recognized for tax purposes.

[In Canadian dollars, unless otherwise noted]

The provision for income taxes differs from the expense that would be obtained by applying Canadian statutory rates to net loss before income taxes as a result of the following:

	2004 $	**2003** $
Net loss for the year	**(381,421)**	(324,610)
Income tax recovery expected at average statutory rate	**(133,497)**	(113,613)
Non-deductible amounts for income tax purposes	**61,889**	51,646
Income tax losses not previously benefited	**71,608**	61,967
	—	—

10. COMMITMENTS

The Company has an annual rent commitment of approximately $32,850 over the next three and one-half years.

The Company and APM have committed U.S.$93,700 in connection with the further development of Compania Minera. As at December 31, 2004, the Company paid their 50% share of this amount and it is included in the mineral properties and deferred costs *[note 4]*. Accordingly, the Company does not have any future commitments associated with this obligation.

11. SEGMENT INFORMATION

The Company operates in two segments; 1) oil and gas and 2) mineral. All required segment information is disclosed on the Company's statements of loss and deficit and notes 4 and 5.

12. SUBSEQUENT EVENTS

The Company and APM, equal partners in the Santo Domingo Joint Venture, have acquired the remaining 8.7% minority interest in Compañia Minera San Diego y La Espanola, S.A. de C.V. from Spanish interests. The cost of acquiring the remaining 8.7% was $2,850,000 of which the Company and APM have each paid $200,000. The remaining amount of $2,450,000 is to be paid through future revenue generated from minerals extracted from Compania Minera.

The Company and APM have committed approximately $1,500,000 and U.S.$600,000 in an exploration program to evaluate the mining potential of Compania Minera and to initiate drilling, respectively. The exploration program is expected to be completed by September 2005. Of the U.S.$600,000, the Company has already paid approximately U.S.$200,000 with the balance to be paid semi-monthly commencing June 2005.