**EAGLE PLAINS RESOURCES LTD.**
**CONSOLIDATED UNAUDITED**
**INTERIM FINANCIAL STATEMENT**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended June 30, 2004.

**NOTICE TO READER OF THE**
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The financial statements of Eagle Plains Resources Ltd. and the accompanying interim consolidated financial statements as at June 30, 2004 are the responsibility of the Company's management.

These consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, BDO Dunwoody.

The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian Generally Accepted Accounting Principles.

| | |
|---|---|
| ”*Timothy J. Termuende”* | *“Glen J. Diduck”* |
| Timothy J. Termuende, P.Geo | Glen J. Diduck |
| President and Chief Executive Officer | Chief Financial Officer, Director |

# EAGLE PLAINS RESOURCES LTD.

## CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended
June 30, 2004

(Unaudited - prepared by management)

**Management Discussion and Analysis**
**Second Quarter, 2004**

Eagle Plains Resources Ltd. ("EPL") is a junior exploration company aggressively exploring for minerals in British Columbia, NWT and the Yukon. The company's objective is to enhance shareholder value by identifying and securing early-stage exploration and development opportunities in gold, silver and base metal projects. In pursuit of this goal, the Company relies on in-house and contracted research to generate exploration targets. Property acquisition is followed by initial exploration and subsequent optioning of properties of merit to junior and major exploration companies for advanced exploration and development.

## Overview

The second quarter of 2004 saw significant progress in the affairs of the Company. Fieldwork was initiated on a number of projects, both by Eagle Plains and its joint venture partners. During the period three new appointments were made to the Board of Directors. With regard to investor relations and advertising, Eagle Plains retained a full time investor relations person and launched the updated website www.eagleplains.ca during the quarter. Metal prices continued to strengthen by the end of the quarter, with gold trading in the US$400 range.

## BC Fieldwork:

Through its wholly owned subsidiary, Bootleg Exploration Inc., fieldwork was carried out on the **Kokanee Creek** (gold), and **Iron Range** (copper, gold, silver, lead, zinc) properties in the East Kootenay area. Phase one of the **Kalum** (gold, silver) project near Terrace was initiated with geochemical sampling, geological mapping, prospecting and follow up of geophysical targets defined by the airborne survey completed during the first quarter. Fieldwork was also undertaken on the nearby **LCR** (copper, gold, molybdenum) property, under option to **Northern Continental Resources (NCR:TSX-V).**

Joint venture partner **Kobex Resources Ltd. (KBX:TSX-V)** completed an induced polarization geophysical survey and geological mapping on the **Titan** molybdenum project near Atlin. The results from this fieldwork and 2003 fieldwork will be used to better define targets for diamond drill testing later in 2004. Joint venture partner **Novagold Canada Inc. (SpectrumGold/ NovaGold)** commenced fieldwork at the **Copper Canyon** (gold, silver, copper) project in west central BC involving ground based geophysical surveying, geological mapping and a diamond drill program.

## Yukon/NWT Fieldwork:

In the Yukon, a ground based electromagnetic and induced polarization geophysical survey was completed on the **Dragon Lake** (gold) northeast of Ross River. At the **Blende** (silver, lead, zinc) property, additional claims were acquired and joint venture partners **Shoshone Silver Mining Co. (SHSH:OTC)** undertook a property examination. Additional fieldwork on the project is anticipated later in 2004.

**Board of Directors:**

During the quarter, Ron Netolitzky, Bob Termuende and Darren Fach were appointed to the board of directors of Eagle Plains. Resignations from the board were accepted from Stan McDougall and Lou MacEachern. The management of Eagle Plains would like to extend their thanks to Lou and Stan and wish them well in their future endeavours.

**Bootleg Exploration:**

During the quarter, Eagle Plains incorporated Bootleg Exploration, as a wholly-owned subsidiary. Bootleg will be responsible for carrying out exploration activities on all of Eagle Plains' mineral properties, as well as contracting geological services to third parties.

**Investor Relations:**

On June 09, it was announced that Eagle Plains had retained A. Schwab and Associates to perform investor relations services for the company for an initial six-month term, commencing June 7th, 2004. A. Schwab and Associates are based in Kelowna, B.C., with involvement in investor relations activities across North America and Europe. At present, Schwab has no interest, directly or indirectly in Eagle Plains or its securities. Schwab will be paid the sum of $5,000 per month and will be reimbursed for pre-approved expenses. In addition, 50,000 share options will be issued to Schwab, exercisable at a price of 50 cents per share for a five-year period. The investor relations contract is subject to regulatory approval.

**Financial:**

The consolidated financial statements for the second quarter include the accounts of Eagle Plains wholly owned subsidiary Bootleg Resources Inc. All exploration programs for Eagle Plains are conducted through Bootleg. Bootleg also provides geological and exploration services to independent third parties some of which have optioned Eagle Plains properties.

On April 13th 100,000 options were exercised at a price of $0.10 per share and on May 12th 400,000 options were exercised also at $0.10 per share, netting Eagle Plains $50,000.

During the quarter 915,000 options were issued to the Company's employees exercisable at $0.50. A charge of $103,333 was made to the stock options account utilizing the "Black Scholes" calculation to record the issued options.

An additional 200,000 shares of Northern Continental Resources were received as part of the LCR agreement. These were recorded at $0.07 for a value of $14,000. These values approximated fair market value on receipt of the shares.

The Company has expended a total of $727,622 on its properties to date with $450,782 being spent in the second quarter.

During the quarter the company incurred a consolidated loss of $99,217 compared to a loss of $139,000 in the previous quarter. This is explained as follows:

Whereas there was minimal income in the previous quarter the company had revenue of $238,000 in the current quarter. This was comprised of $9,140 in interest income earned on investments and $ 218,000 from Bootleg's geological services.

Wages increased by $30,000, geological services by $68,000 and general and administrative by $15,000 due to the increased activity in Bootleg Resources. Stock option expense increased to $103,333 from $18,069 as a result of the issuance of 915,000 options versus 18,069 options in the previous quarter. Reporting and issuing fees dropped from $17,000 to $1,700 as it was a quieter quarter.

The net effect was that the loss for the quarter was decreased to $99,000 compared to $139,000 in the previous quarter.

## Summary of Quarterly Results

| Year | 2004<br>30-Jun | 2004<br>31-Mar | 2003<br>31-Dec | 2003<br>30-Sep | 2003<br>30-Jun | 2003<br>31-Mar | 2002<br>31-Dec | 2002<br>30-Sep |
|---|---|---|---|---|---|---|---|---|
| Total Assets | 7698182 | 7656374 | 4035718 | 3824105 | 3541148 | 3568702 | 3319585 | 2312729 |
| Mineral Properties | 3493516 | 3056734 | 3196184 | 3484368 | 3282536 | 3206578 | 3184027 | 2160872 |
| Working Capital (Deficiency) | 3561818 | 3971080 | 769588 | 222775 | 160752 | 326514 | 127151 | 139419 |
| Revenues | 238000 | 206 | 28 | - | - | 24 | 43 | 215 |
| Net Profit (Loss) | (99217) | (138968) | (355932) | (65082) | (81415) | (85231) | (33096) | (101497) |
| Loss per Share | (0.003) | (0.0041) | (0.0147) | (0.0025) | (0.0035) | (0.0036) | (0.0015) | (0.0047) |

For full financial details, readers are advised to reference the second quarter financial statements and notes as prepared by management.

## Selected Annual Information

| | Fiscal Years Ended December 31st<br>2003 | 2002 | 2001 |
|---|---|---|---|
| Exploration Revenue | - | - | - |
| Interest Income | 54 | 1,576 | 7,867 |
| Total Revenue | 54 | 1,576 | 7,867 |
| Net loss | 587,658 | 193,484 | 95,238 |
| Weighted average number of common shares | 24,160,358 | 21,272,155 | 18,830,064 |
| Basic and diluted loss per common share | 0.0240 | 0.0090 | 0.0051 |
| Total assets | 4,035,718 | 3,319,585 | 2,405,764 |
| Total long-term financial liabilities | - | - | - |

## Option/Joint-Venture Agreements

During the quarter, EPL management was successful in completing an option agreement on the 100% owned **Blende** property. On May 11th, , it was announced that EPL and **Shoshone Silver Mining Co. (SHSH:OTC)** had executed a formal option agreement whereby Shoshone may earn a 60% interest from EPL in the **Blende** silver/base-metal deposit located in the Wernecke Mountains, approximately 65 NE of Keno in central Yukon Territory. The property is owned 100% by EPL (subject to a 1% NSR), and consists of 16 quartz claims covering approximately 800 acres. Shoshone agreed to pay EPL a total of $US 25,000 cash and 100,000 common shares on signing of a formal option agreement. To complete its earn-in, Shoshone will carry out $US 5,000,000 in exploration expenditures and issue a total of 1,000,000 voting-class common shares to EPL by December 31st, 2008. EPL will remain operator of the project up to the completion of $US 800,000 in expenditures. A 10% finders fee has been reserved for B. Kreft, and will be paid by the vendor.

## Concluding Remarks

Eagle Plains' management continues to focus its efforts on locating economic mineralization, to ultimately provide financial reward to our shareholders. We appreciate the patience, loyalty and ongoing support of the Company's shareholders.

**On behalf of the Board of Directors**

Signed,

**"Tim J. Termuende"**

Tim J. Termuende, P.Geo.
President and CEO

# EAGLE PLAINS RESOURCES LTD.

**CONSOLIDATED BALANCE SHEET**

**A Development Stage Corporation**

(Unaudited - prepared by management)

| | Jun 30 2004 (unaudited) | Dec 31 2003 (unaudited) |
|---|---|---|
| **ASSETS** | | |
| **CURRENT** | | |
| Cash and cash equivalents | $ 3,425,249 | $ 712,818 |
| Accounts receivable | 216,211 | 13,504 |
| Mineral Exploration Tax credits recoverable | 66,286 | 80,712 |
| | **3,707,746** | **807,034** |
| **CAPITAL ASSETS, net of accumulated amortization** | **106,420** | **72,290** |
| **LONG-TERM Investments** | **390,500** | **32,500** |
| **MINERAL EXPLORATION PROPERTIES** | **3,493,516** | **3,123,894** |
| | **$ 7,698,182** | **$ 4,035,718** |
| **LIABILITIES** | | |
| **CURRENT** | | |
| Accounts payable and accrued liabilities | **$ 145,928** | **$ 37,446** |
| **FUTURE INCOME TAXES** | **916,838** | **916,838** |
| **SHAREHOLDERS' EQUITY** | | |
| **SHARE CAPITAL** 36,342,628 common shares issued (2003 - 23,583,130 shares issued) | **8,740,014** | **4,947,846** |
| **DEFICIT** | **(2,104,597)** | **(1,866,412)** |
| | **6,635,417** | **3,081,434** |
| | **$ 7,698,182** | **$ 4,035,718** |

**On behalf of the Board:**

*"Timothy J. Termuende"*

Mr. Timothy J. Termuende (Signed)

*"Glen J. Diduck"*

Mr. Glen J. Diduck (Signed)

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# EAGLE PLAINS RESOURCES LTD.

## CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

**A Development Stage Corporation**

(Unaudited - prepared by management)

| | Second Quarter Ended Jun 30 2004 | 2003 | Six months Ended Jun 30 2004 | Year Ended Dec 31 2003 |
|---|---|---|---|---|
| REVENUE | | | | |
| Geological Services | 218,871 | - | 218,871 | |
| Interest and other | 19,129 | - | 19,335 | 54 |
| | **238,000** | **-** | **238,206** | **54** |
| **EXPENSES** | | | | |
| Geological Service expenses | 68,273 | - | 68,273 | |
| General and administrative | 44,053 | 30,458 | 74,710 | 94,434 |
| Legal and accounting fees | 24,443 | - | 37,475 | 21,410 |
| Investor relations | 28,944 | 16,483 | 59,451 | 72,881 |
| Wages and benefits | 62,339 | 13,469 | 90,882 | 103,046 |
| Reporting and Issuing fees | 1,708 | 20,071 | 18,730 | 48,497 |
| Stock option Expense | 103,333 | - | 121,402 | 27,400 |
| Cost of mineral properties abandoned | - | - | - | 325,680 |
| Amortization and depletion of capital assets | 4,124 | 934 | 5,468 | 5,608 |
| | 337,217 | 81,415 | 476,391 | 698,956 |
| **LOSS before Income Taxes** | **(99,217)** | **(81,415)** | **(238,185)** | **(698,902)** |
| Future Income Tax | - | - | - | (111,244) |
| Net Loss for the Year | (99,217) | (81,415) | $ (238,185) | (587,658) |
| DEFICIT, beginning of period | (2,005,380) | (1,363,985) | (1,866,412) | (1,278,754) |
| **DEFICIT, end of period** | **$ (2,104,597)** | **$ (1,445,400)** | **$ (2,104,597)** | **$ (1,866,412)** |
| **Net income (loss) per share** | **$ (0.0030)** | **$ (0.0035)** | **$ (0.0070)** | **$ (0.0243)** |
| **Supplementary Informartion:** | | | | |
| **Weighted Average Number of Shares:** | **32,029,802** | **23,583,130** | **32,029,802** | **24,160,358** |

# EAGLE PLAINS RESOURCES LTD.
## CONSOLIDATED STATEMENT OF CASH FLOW
**A Development Stage Corporation**
(Unaudited -prepared by management)

| | Second Quarter Ended Jun 30 | | Six months Ended Jun 30 | Year Ended Dec 31 |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Net income for the period | $ (99,217) | $ (81,415) | $ (238,185) | $ (587,658) |
| Adjustments for: | | | | |
| Amortization and depletion of capital assets | 2,540 | 934 | 5,468 | 5,608 |
| Cost of mineral properties abandoned | - | - | - | 325,680 |
| Stock options expensed | 103,333 | - | 121,402 | 27,400 |
| Future income tax | | | | (111,244) |
| | 6,656 | (80,481) | (111,315) | (340,214) |
| Changes in non-cash working capital items | | | | |
| (Increase) decrease in accounts receivable | (192,630) | (1,023) | (202,707) | (6,300) |
| (Increase) decrease in Exploration Tax Credits recoverable | - | - | 14,426 | (26,024) |
| Increase (decrease) in accounts payable | (28,765) | 53,861 | 108,482 | 29,039 |
| **Cash flows from operating activities** | **(214,739)** | **(27,643)** | **(191,114)** | **(343,499)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Issue of shares for cash, net | 66,458 | - | 3,670,766 | 1,331,096 |
| **Cash flows from financing activities** | **66,458** | **-** | **3,670,766** | **1,331,096** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Mineral Exporation Tax Credits | - | - | - | 70,333 |
| Development of mineral exploration properties | (450,782) | (75,958) | (727,622) | (349,634) |
| Purchase of capital assets | (31,593) | (9,323) | (39,598) | (69,144) |
| **Cash flows from investing activities** | **(482,375)** | **(85,281)** | **(767,220)** | **(348,445)** |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | **(630,656)** | **(112,924)** | **2,712,432** | **639,152** |
| Cash, beginning of period | 4,055,906 | 290,692 | 712,818 | 73,666 |
| **CASH, END OF PERIOD** | **$ 3,425,249** | **$ 177,768** | **$ 3,425,249** | **$ 712,818** |

## 1. Nature of Operations

The Company was incorporated on March 30, 1994, pursuant to the Alberta Business Corporation Act (Alberta), and is extra provincially registered in the Yukon, British Columbia and the Northwest Territories. The Company is in the business of exploring for mineral resources and is actively exploring properties located in British Columbia and the Northwest Territories.

Recoverability of the amounts shown for mineral properties and related 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 the necessary financing to complete the development, and future profitability from production or proceeds from the disposition of the properties.

## 2. Significant Accounting Policies

Management in accordance with Canadian generally accepted accounting principles has prepared the financial statements of the Company. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Mineral exploration properties
Costs of acquisition exploration and development of mineral properties are capitalized on an area-of-interest basis. General and administrative costs are either charged to expense in the year incurred or capitalized if they directly relate to the exploration accounts usually taken by the company. Amortization of these costs will be on a unit-of-production basis, based on estimated proven reserves of minerals of the areas, should such reserves be found. Properties are abandoned either when the lease expires or when management determines that no further work will be performed on the property since it has no value to the Company. When significant properties in an area of interest are abandoned, the costs related thereto are charged to income on a pro-rata basis to the total costs to date included in the area, in the year of abandonment. The proceeds received from a partial disposition or an option payment is credited against the costs. In addition, if there has been a delay in development activity for several successive years, a write-down of those project-capitalized costs will be charged to income.

b) Long-term investment
Securities acquired under option agreements are recorded at the "fair value" as determined by management. The fair value may or may not approximate trading prices at the time the agreement is executed. In as such, the related capitalized mining expenditures are also reduced by the fair value of the investment received.

## 2. Significant Accounting Policies – continued

c) Equipment

Equipment consists of computers and field equipment and is recorded at cost. Amortization is determined using the declining balance basis, over the estimated useful life of the asset at the following rates:

| | |
|---|---|
| Computer | - 30 % per annum |
| Furniture and equipment | - 20 % per annum |

d) Asset retirement obligations

The Company has adopted the new recommendation of the Canadian Institute of Chartered Accountants ("CICA") relating to accounting for asset retirement obligations. This recommendation replaces the previous method of accounting for site restoration costs on an accrual basis. The Company has adopted the new standard on a retroactive basis in accordance with the CICA recommendations on Accounting Changes. Under the new standard, a liability for the fair value of environmental and site restoration obligations are recorded when the obligations are incurred and the fair value can be reasonably estimated. The obligations are normally incurred at the time the related assets are brought into production. The fair value of the obligations is based on the estimated cash flow required to settle the obligations discounted using the Government of Canada Bond Rate for the applicable term adjusted for the Company's credit rating. The fair value of the obligations is recorded as a liability with the same amount recorded as an increase in capitalized costs. The amounts included in capitalized costs are depleted using the unit-of-production method. The liability is adjusted for accretion expense representing the increase in the fair value of the obligations due to the passage of time. The accretion expense is recorded as an operating expense.

e) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes related to the temporary difference arising at the later of renunciation and when the qualifying expenditures are incurred, are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

f) Financial instruments

The Company carries various financial instruments. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, term deposits and investments with maturities of three months or less.

h) Per share amounts

The calculation of loss per share is based on the weighted average number of shares outstanding during the second quarter, being 32,029,802, and 23,583,130 in 2004 and 2003, respectively. Diluted per share and cash flow per share have not been disclosed as the effects of share conversions and the exercise of options and warrants would be anti-dilutive.

## 2. Significant Accounting Policies – continued

i) Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences – the difference between the carrying amount of an asset and liability in the balance sheet and its tax basis, the carry forward of unused tax pools and unamortized share issue costs. Future income tax assets and liabilities are measured using income tax rates expected to apply on the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that the change is substantially enacted. Future income tax assets are evaluated and if realization is not considered "more likely than not", a valuation allowance is provided.

j) Stock-based compensation plan

The Company has established a stock option plan under which the Company may grant options to purchase common shares. The Company repealed this plan and adopted a new plan effective December 1, 2003. Under the new plan the Company may grant options to acquire common shares to a maximum of ten per cent of the common shares outstanding on non diluted basis. Effective January 1, 2004, the Company adopted the recommendation of the CICA Handbook to record compensation expense when stock or stock options are issued under the plan.

In 2002, the Company had adopted the recommendations of CICA Handbook Section 3870; Stock based compensation and other stock-based payments. This section required that direct awards of stock and liabilities based on the price of common stock be measured at fair value at each reporting date, with the change in fair value reported in the statements of income and encourages, but did not require, the use of the fair value method for all other types of stock-based compensation plans. None of the Company's plans qualify as direct awards of stock or as plans that create liabilities based on the price of the Company's stock, and as a result, the implementation of the section has no impact on the financial statements.

In the fourth quarter of 2003, the Company adopted the amended recommendation of CICA Handbook section 3870. The Company has chosen to use the fair value method to account for stock-based employee compensation plans on a prospective basis. The Company records compensation expense for options issued to employees after January 1, 2003. Any consideration paid by employees on the exercise of the options is credited to capital stock.

Compensation expense is also being recorded for options issued to consultants and non-employees.

k) Mineral tax credit

The Federal and Provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration directives in certain areas. The Company accrued these credits as a reduction of mineral exploration expenditures in the period that the related expenditures were incurred. These accrued credits are subject to review by the relevant authorities and by their nature are subject to measurement, uncertainty adjustments. Adjustments if any, resulting from such a review are recorded in the period that the tax filings are amended.

## 3. Long-Term Investments

| | **2004** | 2003 |
|---|---|---|
| 800,000 common shares of Northern Continental Resources Inc. (market value - $92,000) | **$ 58,000** | $ 20,000 |
| 100,000 common shares of SpectrumGold Inc. (market value - $460,000) | **$320,000** | $ - |
| 250,000 common shares of Golden Cariboo Resources Ltd. (market value - $23,750) | **$ 12,500** | $ 12,500 |
| | **$ 390,500** | $ 32,500 |

## 4. Property and Equipment

| | **June 30, 2004 Cost** | **June 30, 2004 Accumulated Amortization** | Dec 31, 2003 Cost | Dec 31, 2003 Accumulated Amortization |
|---|---|---|---|---|
| Mining exploration properties | **$ 3,493,516** | **$** | $ 3,123,894 | $ - |
| Computer equipment & Software | **40,605** | **18,517** | 27,990 | 16,006 |
| Equipment and furniture | **94,345** | **10,013** | 67,360 | 7,054 |
| | **$ 3,628,466** | **$ 28,530** | $ 3,219,244 | $ 23,060 |
| **Cost less accumulated amortization** | **$ 3,599,936** | | $ 3,196,184 | |

a) **Mining exploration properties**
During the second quarter, the Company expended $450,782 net of grants, option payments, and mineral tax credits, on the exploration and development of their mineral properties, of which $441,564 was expended in B.C., $1,773 in the Northwest Territories and $7,445 in the Yukon. These expenditures were funded through the issuance of shares pursuant to flow through share agreements and through Mining Exploration Tax Credits and other government incentives. Allocation of expenditures is detailed under mineral property interests.

b) **Abo Project:** The Company entered into an option agreement with Northern Continental dated October 24, 2002 whereby Northern Continental has acquired the option to earn a 60% interest in Eagle Plains' wholly owned Abo Gold Property (the Property), located in the Harrison Lake area of south-western British Columbia, approximately 130km east of Vancouver. Northern Continental intends to firstly earn a 50% interest in the Property by completing $1.5 million dollars in exploration expenditures, paying Eagle Plains $10,000 and issuing 1.2 million common shares of Northern Continental over a 5 year period. Northern Continental Resources Inc., will pay as finders fee 100,000 shares to Bernard Kreft, an arms-length individual, on receipt of TSX Venture Exchange (TSX) acceptance of the formal agreement, and will pay a further 200,000 shares upon earning a 50% interest in the property.

## 4. Property and Equipment - continued

In order to earn an additional 10% in the Property (for a total of 60%), Northern Continental shall complete a further $1.5 million in exploration and development expenditures and issue an additional 500,000 shares to Eagle Plains over a 3-year period. For each additional 10% interest in and to the Property (from 70% to 100% and upon election by Eagle Plains), Northern Continental will agree to spend an additional $1.5 million in exploration and development expenditures and issue an additional 500,000 common shares to Eagle Plains over each three-year period. Under terms of the Agreement, a retained 2% Net Smelter Return (NSR) will be eligible for sale to Northern Continental for a total of $2,500,000. Northern Continental has issued 800,000 common shares to the Company at June 30, 2004 (Note 3).

c) **Bar Project:** The Company entered into an option agreement dated August 25, 2000, and subsequently, amended on September 26, 2001 with Golden Cariboo Resources Ltd. , whereby Golden Cariboo Resources Ltd. may earn up to a 100% interest, subject to 2% net smelter return royalty, in the property through option payments of $100,000 over four years, exploration expenditures spending of $900,000 on the project by December 31, 2004, and issuance of 200,000 common shares of Golden Cariboo Resources Ltd. In 2000 and 2001, Golden Cariboo Resources Ltd. made an option payment of $10,000 and issued 200,000 common shares to the Company, further reducing the remaining options commitment to $90,000.

On January 15, 2003, the companies amended the option agreement to accept $20,000 as an option payment via issuance of an additional 50,000 Golden Cariboo Resources common shares, reducing the remaining option commitment to $70,000. On February 27, 2003, the Company received 50,000 common shares from Golden Cariboo Resources, resulting in 250,000 shares being owned by the Company at December 31, 2003 (Note 3).

d) **Blende Project:** On February 28, 2004 the Company entered into an option agreement with Shoshone Silver Ltd. whereby Shoshone may earn a 60% interest from the Company's silver/base-metal deposit located in the Wernecke Mountains, approximately 65 NE of Keno in central Yukon Territory. The property is owned 100% by EPL (subject to a 1% NSR), and consists of 16 quartz claims covering approximately 800 acres.

Shoshone has paid to EPL a total of $25,000 cash and has issued 100,000 common shares on signing of the formal option agreement. To complete its earn-in, Shoshone will carry out $5,000,000 in exploration expenditures and issue a total of 1,000,000 voting-class common shares to EPL by December 31st, 2008. EPL will remain operator of the project up to the completion of $800,000 in expenditures. A 10% finders fee has been reserved for B. Kreft, and will be paid by the vendor.

e) **Copper Canyon Project:** The Company entered into an option agreement to earn a 100% interest, subject to a 2% net smelter return royalty, on the property by option payments and exploration expenditures as detailed below:

| Option Payments | Exploration Expenditures | Due Date |
|---|---|---|
| $ 6,500 | $ - | May 30, 2003 (Paid) |
| 8,500 | - | May 30, 2004 (Paid) |
| 25,000 | 100,000 | May 30, 2005 |
| 50,000 | 100,000 | May 30, 2006 |
| 70,000 | 100,000 | May 30, 2007 |
| 90,000 | 200,000 | May 30, 2008 |

| | |
|---|---|
| $250,000 | $ 500,000 |

## 4. Property and Equipment - continued

In 2002, pursuant to this option agreement, the Company issued 100,000 non-flow through common shares to the property owner valued at $22,000 (Note 5(b)).

Pursuant to this option agreement, the Company has also committed to make $15,000 annual advanced royalty payment to the property owner commencing May 30, 2009 until commencement of commercial production. Advanced royalty payment will be netted against royalty interest payments after the commencement of commercial production.

A letter agreement was executed between the Company and NovaGold/SpectrumGold Resources on the Copper Canyon project located south of Telegraph Creek. Under terms of the agreement, SpectrumGold has the option to acquire a 60% interest in the project from the

Company by completing $3 million in exploration expenditures over the next 4 years, issuing 400,000 shares of SpectrumGold and making payments totalling $250,000. SpectrumGold may earn an additional 20% interest in the project for a total of 80% by paying the Company $1 million and completing a Feasibility Study on the project by no later than September 2011. This agreement supercedes a Letter of Intent between the Company and Viceroy Resource Corp. announced on February 12th, 2003. During the first quarter, the company received 100,000 SpectrumGold shares (note 3).

f) **McQuesten Project:** The Company entered into an option agreement with Viceroy Resources Corporation. (As of July 2003 Viceroy changed their name to Quest Capital Corp.) dated October 1, 1997, and transferred to Novagold Resources on April 26, 1999. The agreement was amended on October 12, 2001 whereby Novagold Resources Ltd. can earn up to a 70% interest in the property through an $80,000 option payment and by undertaking a pre-determined 10,000 foot drilling program on the optioned property. As of December 31, 2003, all option payments have been paid.

g) **Sprogge Project:** On March 1, 2002, the Company entered into an option agreement to earn a 100% interest, subject to a 2% net smelter return royalty, in the property through option payments and exploration expenditures as detailed below:

| Option Payments | Exploration Expenditures | Due Date |
|---|---|---|
| $ 5,000 | $ - | March 1, 2003 (Paid) |
| 6,500 | - | March 1, 2004 (Paid) |
| 20,000 | 100,000 | March 1, 2005 |
| 40,000 | 100,000 | March 1, 2006 |
| 60,000 | 100,000 | March 1, 2007 |
| 80,000 | 200,000 | March 1, 2008 |
| $211,500 | $ 500,000 | |

Pursuant to this option agreement, the Company has committed to make $15,000 annual advanced royalty payment to the property owner commencing March 1, 2011 until commencement of commercial production. Advanced royalty payment will be netted against royalty interest payments after the commencement of commercial production.

h) **Titan Project:** On October 25, 2002, the company entered into an option agreement to earn a 100% interest in the property through option payments as detailed below:

## 4. Property and Equipment – continued

| Option Payments | Due Date |
|---|---|
| $ 5,000 | December 31, 2003 (Paid) |
| 7,000 | December 31, 2004 |
| 10,000 | December 31, 2005 |
| 15,000 | December 31, 2006 |
| 35,000 | December 31, 2007 |
| $72,000 | |

Pursuant to this option agreement, the Company is committed to complete a $150,000 exploration program by December 31, 2007.

On February 19th, 2004, the Company signed an option agreement with Kobex Resources Ltd. whereby Kobex may earn up to a 60% interest from the Company. Kobex has paid $5,000 cash upon the signing of a formal option agreement. 100,000 common shares of Kobex Resources were issued as of June 30, 2004.

To complete its earn-in, Kobex will carry out $3,000,000 in exploration expenditures, make total cash payments of $167,000 and issue a total of 600,000 voting-class common shares to the Company by the fifth anniversary of signing. A $150,000, first-phase program consisting of geological mapping, geophysical survey and subsequent diamond drilling will be completed during the 2004 field season. The Company will remain operator of the project up to the completion of Phase 1 work, with operatorship determined on a year-to year basis thereafter.

i) **LCR Property:** On February 12, 2003, the Company entered into an option agreement to earn a 100% interest, subject to a 1% net smelter return royalty, in the LCR property through option payments, exploration expenditures, and issuance of the Company's common shares as detailed below:

| Option Payments | Common Shares | Due Date |
|---|---|---|
| $ 5,000 | 100,000 | December 31, 2003 (Paid) |
| - | 100,000 | December 31, 2005 |
| - | 100,000 | December 31, 2007 |
| $5,000 | 300,000 | |

Pursuant to this option agreement, the company issued 100,000 non-flow through common shares to the property owner, valued at $15,000 (Note 5(b)).

On January 15, 2004, the Company signed a option agreement with Northern Continental Resources whereby NCR may earn a 60% interest in the property by making a cash payment of $10,000, issuing 1,000,000 common shares and completing $3,000,000 in exploration expenditures over 5 years. NCR may increase its stake in the project to 75% by making a one-time cash payment of $500,000 and completing all expenditures required to carry the project to bankable feasibility. The Company will remain operator of the project up to the completion of $1,000,000 in exploration expenditures. During the quarter, the company received 200,000 common shares of Northern Continental (Note 3).

## 4. Property and Equipment – continued

j) **Kalum Project:** The Company staked over 572 claims (34,750 acres) located 35km northwest of Terrace, BC. The claims were acquired to cover numerous high-grade gold occurrences associated with a Cretaceous-aged intrusive stock that has intruded sedimentary and volcanic rocks of the Jurassic to Cretaceous aged Bowser Lake sediments. The claims are owned 100% by the Company with a 1% NSR reserved for the vendor. The 2004 summer drilling program is to commence late in the third quarter.

k) **Severance Project:** On March 18 2003, the Company announced that it had negotiated an agreement with 4763 NWT Ltd. whereby the Company may earn a 100% interest in the claims by paying 100,000 common shares and completing $40,000 in exploration expenditures over two years. A 2% NSR is reserved for the vendor, half of which may be purchased at any time for $1,000,000. The Company will further reserve for the vendors 25% of the proceeds from any subsequent third-party sale or option of the claims, to a maximum of $100,000.

The Company's 2003 exploration program consisted of prospecting, soil and silt sampling and a small ground EM survey. Preliminary results from the 2003 work confirm the potential for an intrusion related copper gold system on the property. Further work on the property is recommended for 2004.

Pursuant to this option agreement, the company issued 50,000 non-flow through common shares to the property owner, valued at $12,500 (Note 5(b)).

## 5. Equity Instruments

a) Authorized
Unlimited number of common shares without nominal or par value.

Unlimited number of first and second preference shares without nominal or par value, with the rights, privileges and conditions thereof determined by the directors of the company at the time of issuance.

b) Issued and outstanding

| | 2nd Quarter Ended **2004** | | Year Ended 2003 | |
|---|---|---|---|---|
| | **Number of Shares** | | Number of Shares | |
| Common Shares | | | | |
| Balance, beginning of period | **27,492,130** | **$ 4,802,546** | 21,823,130 | $ 3,634,269 |
| Issued flow through shares for cash, brokered private placement | **2,510,166** | **1,506,100** | 2,419,000 | 777,300 |
| Issued for cash, brokered private placement | **5,020,332** | **2,259,149** | 2,800,000 | 388,300 |
| Issued in exchange for mineral claims | **-** | **-** | 150,000 | 27,500 |
| Issued for cash on exercise of warrants | **820,000** | **272,405** | 300,000 | 58,050 |
| Share issue costs | | **(572,387)** | - | (10,454) |
| Tax effect on renounced expenditures | **-** | **-** | - | (72,419) |
| Issued for cash on exercise of options (2nd Qtr) | **500,000** | **50,000** | | |
| Balance, end of period | **36,342,628** | **$ 8,317,813** | 27,492,130 | $ 4,802,546 |
| Options | | | | |
| Balance, beginning of period | **2,453,418** | **27,400** | 1,988,418 | - |
| Forfeited/cancelled | **-** | | - | - |
| Exercised (2nd Qtr) | **(500,000)** | **-** | | |
| Granted - agent's | **251,017** | **13,610** | | |
| Granted – employee (1st Qtr-160,000, 2nd Qtr-915,000) | **1,075,000** | **121,402** | 465,000 | 27,400 |
| Balance, end of period | **3,279,435** | **$ 162,412** | 2,453,418 | $ 27,400 |
| Warrants | | | | |
| Balance, beginning of year | **3,960,000** | **117,900** | 2,420,000 | - |
| Issued in flow through shares (1st Qtr) | **2,510,166** | **141,074** | 1,160,000 | 26,200 |
| Issued in private placement (1st Qtr) | **251,017** | **27,220** | 2,800,000 | 91,700 |
| Expired | **-** | **-** | (2,120,000) | - |
| Exercised (1st Qtr) | **(820,000)** | **(26,405)** | (300,000) | - |
| Balance, end of year | **5,901,183** | **$ 259,789** | 3,960,000 | $ 117,900 |
| Total equity instruments | | **$ 8,740,014** | | $ 4,947,846 |

In the first quarter of 2004, SpectrumGold exercised 600,000 warrants at $.30 and 220,000 were exercised from the September 2003 private placement also at $.30. During the second quarter 500,000 of the outstanding options were exercised at $.10 for net proceeds of $50,000 to the company.

## 5. Equity Instruments – continued

The company is committed to incur $629,500 in mining expenditures on a flow through basis prior to December 31, 2004 and $1,506,100 by December 31, 2005.

c) Directors and management share options

As at June 30, 2004 the Company has the following stock options outstanding:

| | Number of Shares | Option Price per Share Range | Weighted Average Exercise Price |
|---|---|---|---|
| Options outstanding, December 31, 2003 | 2,453,418 | $0.10 - $0.30 | $0.13 |
| Options – granted (1st Qtr – 411,017, 2nd Qtr – 915,000) | 1,326,017 | $0.50 | $0.50 |
| Options – exercised – 2nd Qtr | (500,000) | ($.10) | ($.13) |
| Options outstanding, June 30, 2004 | 3,279,435 | $0.10 - $0.50 | $0.29 |

The following table summarized information about the stock options outstanding at June 30, 2004:

| Options outstanding | Option price | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Number of Options Currently Exercisable | Weighted Average Exercise Price of Options Currently Exercisable |
|---|---|---|---|---|---|
| **1,663,418** | **$0.10** | **$0.10** | **3.6 years** | **1,663,418** | **$0.10** |
| **125,000** | **$0.25** | **$0.25** | **4.1 years** | **300,000** | **$0.25** |
| **65,000** | **$0.20** | **$0.10** | **3.6 years** | **65,000** | **$0.20** |
| **100,000** | **$0.30** | **$0.20** | **4.6 years** | **100,000** | **$0.30** |
| **160,000** | **$0.50** | **$0.50** | **4.8 years** | **160,000** | **$0.50** |
| **251,017** | **$0.50** | **$0.50** | **4.8 years** | **251,017** | **$0.50** |
| **915,000** | **$0.50** | **$0.50** | **4.9 years** | **915,000** | **$0.50** |
| **3,279,435** | | **$0.24** | | **3,279,435** | **$0.38** |

d) Compensation expense for share options
The Company records compensation expense for stock options issued to employees commencing in 2003, as disclosed in Note 2(i). Compensation expense has been determined based on the fair value at the grant dates.

The fair value of stock options was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield (NIL), expected volatility (0.10); risk-free interest rate (5%); and weighted average life of 5 years.

## 5. Equity Instruments – continued

e) Warrants outstanding

As at June 30, 2004 the Company has the following share purchase warrants outstanding:

| Issued | Expiry | Number | Price |
|---|---|---|---|
| February, 2003 | February, 2005 | 1,160,000 | $0.20 |
| February, 2003 | February, 2004/2005 | 600,000 | $0.30/$0.35 |
| September, 2003 | September, 2005 | 2,200,000 | $0.30 |
| January, 2004 | December, 2004/March 2006 | 2,761,183 | $1.00 |
| March, 2004 (exercised) | February 2004/September 2005 | (820,000) | $0.30 |
| **Total issued and outstanding, at June 30, 2004** | | 5,901,183 | |

In the first quarter, 820,000 warrants at a price of $0.30 per share were exercised for net proceeds of $246,000 to the Company. None were exercised in the second quarter.

f) Shareholder rights protection plan
The shareholders have approved a plan which the directors intend to implement at their discretion to provide adequate time for the shareholders and the directors to seek alternatives to, and to assess the merits of, bids for the shares of the company. This plan attaches special rights to the issued shares of the company. These special rights are void to a bidder who seeks to acquire more than 20 % of the voting shares of the company.

## 6. Related Party Transactions

The Company's mineral property evaluation and exploration projects are managed by Bootleg Exploration Inc, a 100% owned subsidiary.

Except as noted elsewhere in these financial statements, the Company was involved in the following related party transactions:

a) During the second quarter of 2004, the Company expended a further $559,041 on its properties and Bootleg Exploration had revenues from third party services in the amount of $218,851.

Except as disclosed, all related party transactions in the normal course of business have been measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties. Exchange amounts approximate fair values.

## 7. Commitments and Contingent Liabilities

As detailed in Note 4, the Company has entered into various option agreements pursuant to the terms of which it is committed to option payments totaling $517,000 over the next six years and to incur exploration expenditures of up to $1,190,000 at varying dates to December 31, 2007.

During the first quarter the Company raised $1,506,100 through a flow through share issuance. To meet renouncement requirements the Company is committed to incur exploration expenses of $629,500 raised via a flow-through share issue by December 31, 2004. It is further committed to incur exploration expenses of $1,506,100 raised via a flow through share issue by December 31, 2005.

The company has no material commitments pursuant to its current property lease agreements.

## 8. Future Removal and Site Restoration

At June 30, 2004, the Company does not estimate costs relating to future site restoration and abandonment are to be material. The company has currently made no provision for site restoration costs or potential environmental liabilities as all properties are still in the exploration stages. Factors such as further exploration, inflation and changes in technology may materially change the cost estimate.

## 9. Income Taxes

No provision has been made for income taxes in the accompanying quarterly financial statements. The effective tax rate of income tax varies from the statutory rate as follows:

| | Dec 31 2003 | Dec 31 2002 |
|---|---|---|
| Combined tax rates | **41.00%** | 42.00% |
| Expected income tax provision at statutory rate | **$ (290,883)** | $ (81,300) |
| Current loss | **145,100** | 64,600 |
| Change in valuation allowance | **93,359** | 21,400 |
| Other permanent differences | **(58,820)** | (4,700) |
| | **$ (111,244)** | $ - |

At the end of December 31, 2003, subject to confirmation by income tax authorities, the Company has approximately the following undeducted tax pools:

| | 2003 | 2002 |
|---|---|---|
| Undepreciated capital cost | **$ 94,305** | $ 25,161 |
| Non-capital losses carried forward for tax purposes available From time to time until 2011 (December 31, 2004 – 2011) | **879,729** | 692,220 |
| Cumulative Canadian exploration expenses | **790,497** | 644,509 |
| Cumulative Canadian development expenses | **90,485** | 136,163 |
| Undeducted share issue costs carried forward | **21,858** | 20,241 |
| | **$1,876,874** | $1,518,294 |

These pools are deductible from future income at rates prescribed by the Canadian Income Tax Act.

The components of the Company's future income tax liability are a result of the origination and reversal of temporary differences and are comprised of the following:

| **Nature of temporary differences** | 2003 | 2002 |
|---|---|---|
| **Income** | | |
| Property and equipment | **$ (924,343)** | $ (962,086) |
| Unused tax losses carry forward | **366,143** | 290,732 |
| Others | **7,505** | 6,423 |
| **Future income tax asset** | **(550,695)** | (664,931) |
| Valuation allowance | **(366,143)** | (290,732) |
| | **$ (916,838)** | $ (955,663) |

## 10. Financial Instruments

At June 30, 2004, substantially all of the Company's cash was held at a recognized Canadian National financial institution. As a result, the Company was exposed to all of the risks associated with that institution.

## 11. During the Period

a) Subsequent to year end, the Company incorporated a wholly owned subsidiary, Bootleg Exploration Inc. ("Bootleg").

b) On June 9th, the Company signed an agreement with A. Schwab and Associates to carry out investor relations services for the Company for an initial term of six months. A budget of $5,000 per month has been given to cover expenses. Under the agreement 50,000 options will be issued to A. Schwab at $0.50 per share for a 5-year period. The investor relations contract is subject to regulatory approval.

c) The Company held its Annual General Meeting on May 18th at Calgary. At the meeting Mr. R.W. Termuende, Mr. R. Netolitzky and Mr. D. Fach were appointed to the board of directors. The resignations of Mr. L.W. MacEachern and Mr. S. McDougall were accepted.

d) During the quarter, the Company received the option payment of $25,000 US from Shoshone Silver Ltd. (SHSH) and received the 100,000 common shares SHSH at the beginning of the third quarter completing their formal agreement on the 100% owned **Blende** property.

e) On May 19, 2004, the Company granted incentive stock options to employees and directors of the Company for the purchase of 915,000 common shares at a price of $0.50 per share, expiring May 19, 2009. A charge to the stock options account of $103,333 was recorded using the "Balck-Scholes" calculation.

f) The option agreement between the Company and Kobex Resources Ltd. (Kobex) respecting the **Titan** was completed with the receipt of the $5,000 option payment and 100,000 common shares received early in the third quarter.

g) In the quarter, 200,000 common shares of Northern Continental Resources were received in accordance with the terms of the LCR project agreement. These were recorded at $.07 based on fair value at the time of receipt.

## 12. Statement of Cash Flow

During the second quarter 2004, the Company issued 915,000 non-flow through common share options to employees and directors.

## Acquisitions and Expenditures (Net)

| | December 31, 2003 | 1st Quarter 2004 | 2nd Quarter 2004 | **As at June 30, 2004** |
|---|---|---|---|---|
| British Columbia Acquisition and Exploration | $ 1,620,545 | $ ( 61,720) | 442,050 | **$ 2,000,875** |
| NW Territories Acquisition and Exploration | 37,407 | 71 | 1,773 | **39,251** |
| Yukon Acquisition and Exploration | 1,465,942 | (5,511) | (7,042) | **1,453,389** |
| **Total:** | $ 3,123,894 | $ (67,160) | $ 436,681 | **$ 3,493,515** |

| | **Gross Hectares** |
|---|---|
| **BRITISH COLUMBIA** | |
| 2,815 claims | 70,375 |
| **NORTHWEST TERRITORIES** | |
| 49 claims | 1,023 |
| **YUKON** | |
| 647 claims | 13,512 |
| Gross hectares | 84,910 |