NORTHERN SECURITIES INC.

Forest Gate Resources Inc.

Metals & Mining

November 15, 2005

TSXV:FGT	$0.43
Recommendation:	SPECULATIVE BUY
12-Month Target:	$1.10 (was $0.90)

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Lucky 13 and Diamonds in Dizzy and Duke

Event:

- Off restriction – update report; increased target price.

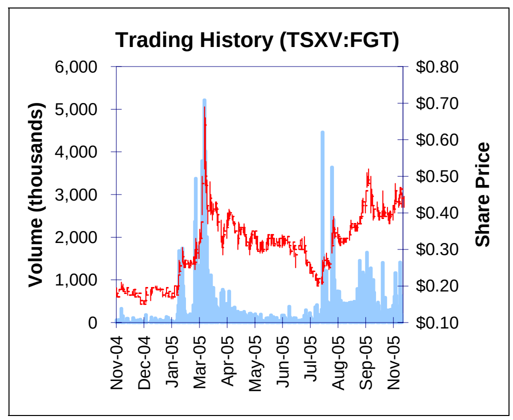
Highlights:

- Forest Gate identified at least 13 distinct geophysical anomalies on its wholly-owned, South Side property within the Fort à la Corne diamond camp.
- The Company staked an adjacent 10,000 hectares, in addition to its existing 42,000 hectare South Side property, to cover these new anomalies.
- The Company increased its land position in the main kimberlite cluster with the acquisition of the West Side Property that lies adjacent to the FALC joint venture's 122 kimberlite.
- Forest Gate recovered a total of 28 microdiamonds, plus one macrodiamond from two HQ-sized drill holes that tested the Dizzy kimberlite.
- Forest Gate recovered a total of 30 microdiamonds from a portion of the northern lobe of the Duke kimberlite. This is the newest discovery of a diamondiferous kimberlite in the Fort à la Corne camp.
- The Company started a till sampling program on its optioned Portage property in the Otish Mountains diamond camp of central Québec.
- Forest Gate completed a $1.5 million financing and is well funded to execute its exploration programs in Saskatchewan and Quebec for the next couple of years. We expect positive results from this work.

Investment Conclusion:

- We believe that the Company's projects are strategically located within the Fort à la Corne diamond camp and their value will appreciate as the neighbouring projects advance. A discovery on the South Side property will change this camp dramatically. Forest Gate is generating positive results that will ensure it remains part of this diamond play. We upgraded our 12-month target to $1.10 and maintain our SPECULATIVE BUY recommendation.

52-week High-Low	$0.69-$0.12
Shares outstanding	
– basic	69.4 million
– fully diluted	92.5 million
Market capitalization	$29.8 million
Fiscal year end	December 31



Source: Bloomberg

Company Description

Forest Gate Resources Inc. is a Canadian junior exploration and development company, which is currently focusing on exploration for diamond bearing kimberlites on its large land package in the Fort à la Corne diamond camp of central Saskatchewan. The Company's East Side property is already known to host the diamond bearing Dizzy and Duke kimberlites and its South Side property greatly expands its land position around this large kimberlite field. The Company transferred its New Brunswick resource assets to its subsidiary, Blue Note Metals Inc. that is expected to start trading soon.

Investment Opinion Definition

STRONG BUY:	NSI expects the share price to appreciate 30% or more over the next 12 months.
BUY:	NSI expects the share price to appreciate 10% to 30% over the next 12 months.
HOLD:	NSI expects the share price to appreciate 10% or less over the next 12 months.
SELL:	NSI expects the share price to have a negative rate of return over the next 12 months.
SPECULATIVE BUY:	NSI expects the share price to appreciate substantially over the next 12 months, but with a high level of inherent risk.

Note: Percentages are approximate and ratings are at the analyst's discretion.

Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst in this report.

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Material Disclosures

The analyst responsible for preparing this research report receives compensation that is based upon various factors, including investment banking revenues of Northern Securities Inc.

Within the past 12 months, Northern Securities Inc. managed or co-managed a public offering of securities for Forest Gate Resources Inc.

The analyst responsible for preparing this research report visited the Company's projects in Fort à la Corne, Saskatchewan in June 2005. 10% of the travel expenses incurred by the analyst during these visits was paid by Forest Gate Resources Inc.

Northern Securities Inc. may receive or may seek compensation for investment banking services from all companies under research coverage within the next three months.

Recommendation

Fort à la Corne Diamond Camp advancing to the production decision….

…Forest Gate will benefit from this process

We believe the merger of Shore Gold and Kensington Resources will continue to focus the market's attention on diamond development stories on the Fort à la Corne camp due to the potential size of its resources – including the other diamond development stories such as Snap Lake, Jericho and Victor. These projects are big and the new Shore Gold company is well-financed to advance them to the production decision stage. The new company is committed to advancing both the Star Kimberlite project and the FALC JV 5km Priority Targets to the production decision stage, with significant money to be spent and news to be generated.

Forest Gate is now the second largest land holder in the camp and is generating significant trading interest in the market as part of this play. We believe Forest Gate will continue to benefit from its strategic position in the camp and from its exploration success. Results from drilling continue to be positive with kimberlite intersections and good lithology. The report on the airborne geophysical survey of the South Side property provided 13 additional targets for future drilling. Success on any of these targets on this large property could expand the diamond camp dramatically. We believe there remains upside in this story with the advancement of its properties and the camp as a whole, and we are **maintaining our SPECULATIVE BUY recommendation while increasing our 12-month target to $1.10**, based on our new NAV per share. We believe the stock should trade at its implied NAV per share.

Analysis

South Side Property Geophysical Survey Results

The South Side property lies to the southeast of the main kimberlite cluster in the Fort à la Corne camp (see Figure 1). Forest Gate staked this land on the theory that the deep-seated structure that encouraged the placement of the main cluster continues to the southeast, and thus there is no reason kimberlites could not be on the south side of the Saskatchewan River. The Company flew over 3000 line-kilometres of high-resolution airborne geophysics over the South Side property. The survey also included a fly-over of the Star kimberlite in order to determine what type of signature this large kimberlite would register for this type of geophysical system. A comparison of these signatures is given on Figure 2.

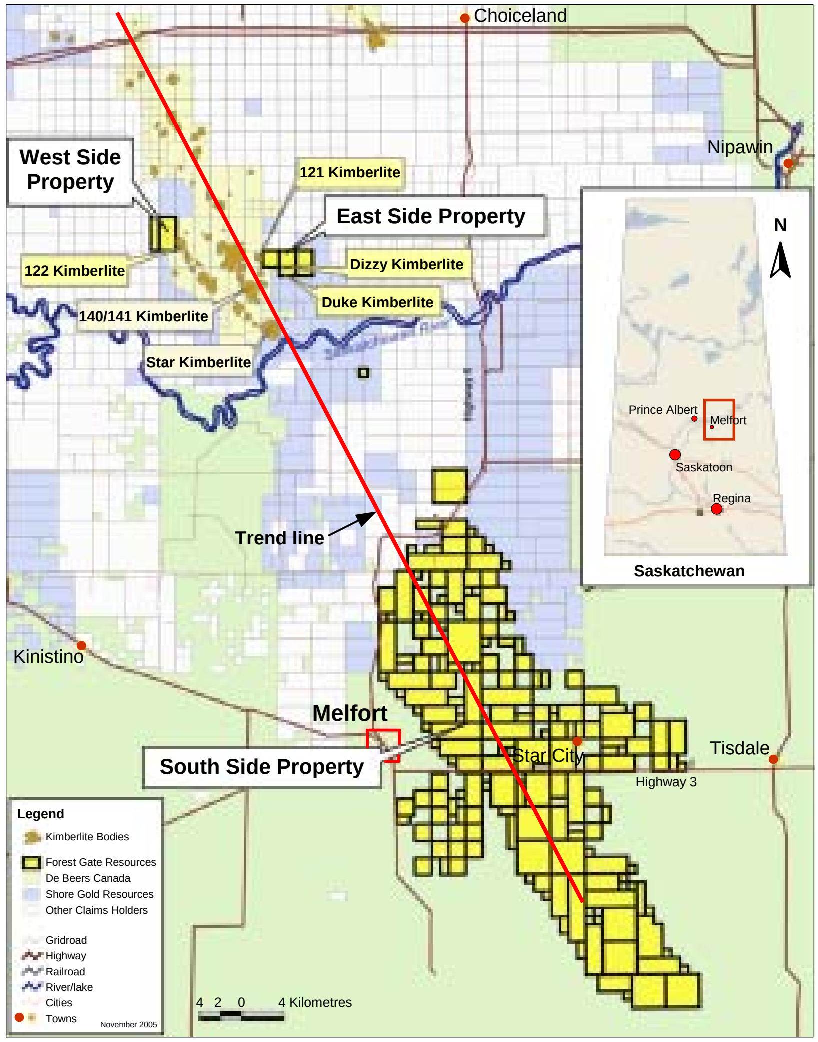
Thirteen could be lucky for Forest Gate

The survey then went out and looked for anomalies that resembled the Star kimberlite signature. The survey found 13 distinct anomalies on and adjacent to the South Side property. This is a substantial number of large anomalies and provides the Company with numerous high-priority targets to test with drilling. The targets are well-defined from this survey, and the Company does not see the need for further ground surveys to refine the targets. This is positive in that the Company can proceed directly to drilling without additional geophysical costs. The land position in this area was increased by 10,000 hectares in order to cover the anomalies that were outside of the original 42,000 hectare South Side property. The exact locations of these anomalies are not being disclosed at this time. Figure 3 of the South Side property shows an illustration representing the possible dispersion of anomalies on this property. The Company looks to advance a drilling program on several of these targets in the first quarter of 2006. Figure 4 shows the distinctness of these anomalies that will allow the Company to proceed without further surface work.

Known kimberlite field

South Side property on trend

Figure 1: Property Map

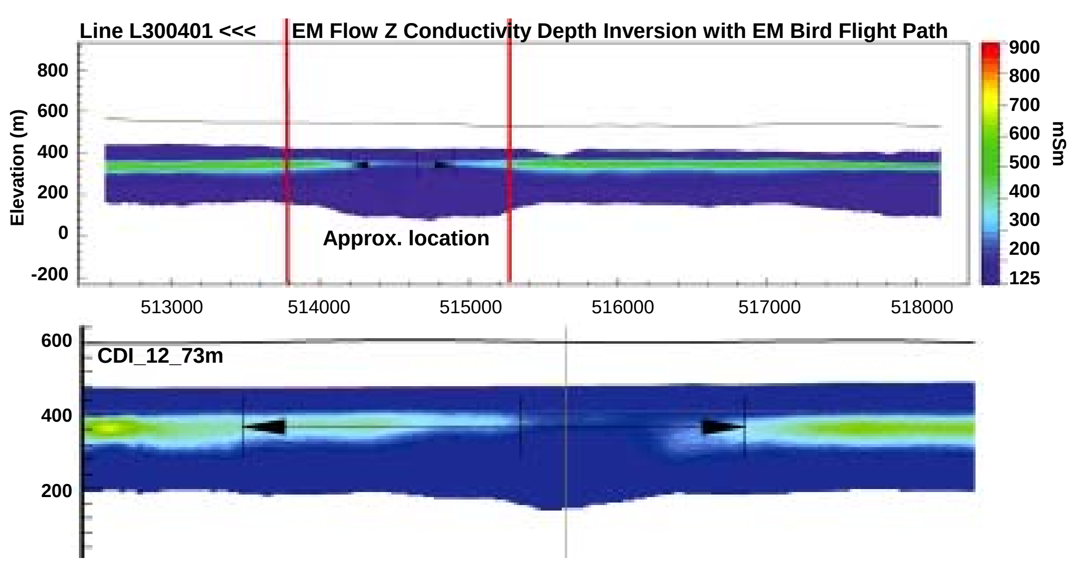


Source: Company reports, NSI estimates

Star kimberlite shows a break in the surface of conductive layers

A similar break for a South Side anomaly

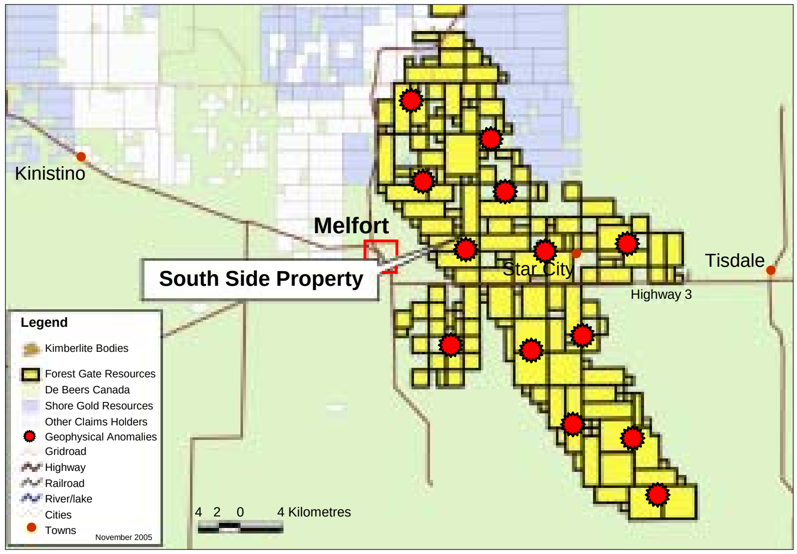
Figure 2: Comparison of Geophysical Signature of Star Kimberlite and a South Side Property Anomaly



Source: Company reports

Figure 3: An Illustration of Possible Geophysical Anomaly Distribution on the South Side Property

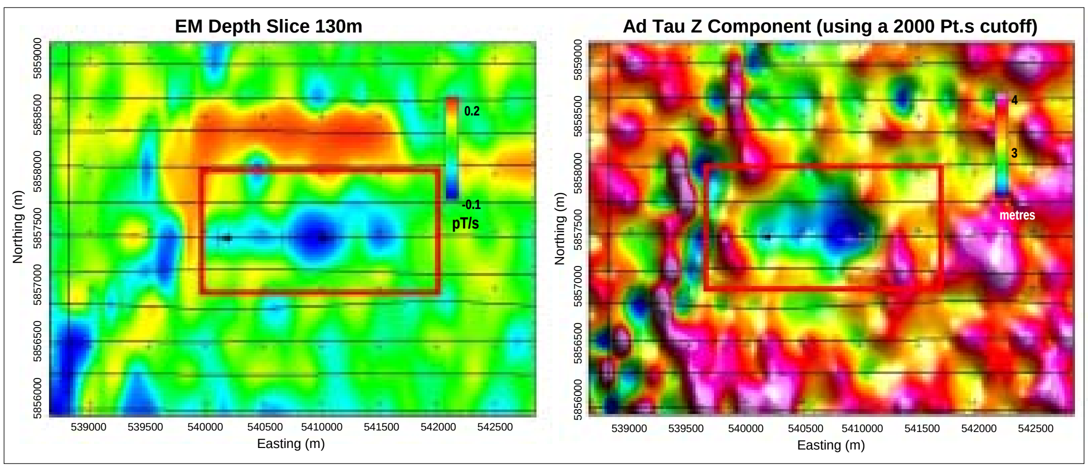
Anomalies are not at these exact locations



Source: NSI estimates

Figure 4: Geophysical Signature of Target 12 on the South Side Property

South Side Property anomalies are distinct



Source: Company reports

West Side Property Transaction

West Side Property lies next to the FALC JV 122 kimberlite

Forest Gate acquired a 100% ownership of a diamond property on the central-western border of the main cluster of kimberlites in Fort à la Corne. The property now known as the "West Side Property" is along the western flank of the diamondiferous 122 kimberlite owned by the De Beers-Kensington FALC joint venture. The property was acquired from a group of owners including several junior explorers and other private parties. The property is approximately 768 hectares in size. The Company acquired the property for 1.7 million shares and 1.5 million share purchase warrants of Forest Gate. This is another strategic property acquisition for the Company in this camp.

The 122 kimberlite body attracted increasing interest since the De Beers-Kensington joint venture reported in July 2005 that it recovered "a total of 248 macro-diamonds weighing 28.81 carats, including 23 stones larger than 0.25 carats recovered from three 36-inch diameter drill holes." The joint venture also reported that "the recovery of many stones larger than 0.25 carats and two larger than one carat supports our (the De Beers-Kensington) model of a larger stone population in Kimberlite 122." The 122 kimberlite falls within the 5km radius High Priority target area that is part of the development program for the FALC Joint Venture. We expect Forest Gate to test whether the 122 kimberlite extends on to their West Side property once drilling permits are obtained and rig availability is determined. We believe this acquisition is a very good one and should add value to the story with the advancement of the development of this diamond camp. The location of the West Side property is shown on Figure 1.

Diamonds in Dizzy – Duke – and 121

Three diamond bearing kimberlites beneath the East Side Property

Forest Gate announced the first batch of micro-diamond results for two of five drill holes targeted on its Dizzy kimberlite pipe from the 2005 drilling program. A total of 28 micro-diamonds, plus one macro-diamond (two dimensions greater than 0.5mm), were recovered from two HQ-sized drill holes that tested the Dizzy kimberlite on a facies by facies basis. The Dizzy pipe was known to be diamondiferous and this work confirms this. The Company is now testing the lateral extent of this content through analysis of the remaining three holes. These results are expected later this year. The testing of the diamond content, and thus grade for the Dizzy kimberlite, is still at an early stage and conforms to our original valuation analysis of this pipe.

The Company also drilled and intersected the diamondiferous 121 kimberlite that straddles the western boundary of the East Side property. The Company submitted a sample from this drilling for diamond analysis and we expect the results to be released later this year. The interesting part of this program is that Forest Gate intersected the 121 kimberlite outside of its geophysical signature. This suggests that the body could be larger than our earlier estimate. The FALC Joint Venture diamond content results for the 121 kimberlite are encouraging and it does lie within the high priority target area for consideration as part of their development plans. This wedge of diamondiferous kimberlite on Forest Gate's land could prove to be quite valuable as could the rest of the East Side property if they want to excavate a pit to get at the pipe and its diamonds.

Table 1: Diamond Recovery Results Dizzy Kimberlite

Dizzy with diamonds…

Drill Hole	Weight (kg)	Total MD Count	Stones >0.5mm	+0.425mm Sieve	+0.300mm Sieve	+0.212mm Sieve	+0.150mm Sieve	+0.105mm Sieve
FG05-14	431.75	20	1	1	1	9	5	4
FG05-16	347.4	9	0	0	0	2	3	3

Source: Company Reports

… now Duke too

The Company made a discovery of the newest diamondiferous kimberlite in the camp, by drilling on the South Border anomaly, and named it Duke. A total of 30 micro-diamonds were recovered from two HQ-sized drill holes that tested a portion of the northern lobe of the Duke kimberlite body during the summer 2005 exploration drill program. The Duke kimberlite straddles the southern boundary of the East Side property with Shore Gold. Analysis of the geophysical signature and subsequent drilling information of the Duke kimberlite suggest that 40% of this body lies on Forest Gate's property with the remainder lying beneath Shore Gold's property. This conforms to our estimate for this target in our initial report. The fact that this kimberlite is diamondiferous is very positive and its central location in the camp bode well for consideration as a part of future mine development plans. The sampling results are given in Table 2 below and represent just a small initial sample. The assay work did show that each of the kimberlite facies contained diamonds, another significant result for this early stage exploration program. Reports from the field indicate that Shore Gold is also drill testing this anomaly, and results from their program could be expected over the winter. We expect Shore Gold to collect a larger sample of Duke as part of their program and this will provide a better understanding of the size and potential grade of this kimberlite. This news would then generate additional interest in Forest Gate's 40% portion of the pipe.

Duke is the newest discovery of a diamond bearing kimberlite in the Fort à la Corne camp

Table 2: Diamond Recovery Results Duke Kimberlite

Drill Hole	Sample Weight (kg)	Total MD Count	MD Group Weight (mg)	+0.425mm Sieve	+0.300mm Sieve	+0.212mm Sieve	+0.150mm Sieve	+0.105mm Sieve
FG05-08	251.7	8	0.063	0	0	0	3	5
FG05-11	294.25	22	0.305	0	1	2	7	12

Source: Company Reports

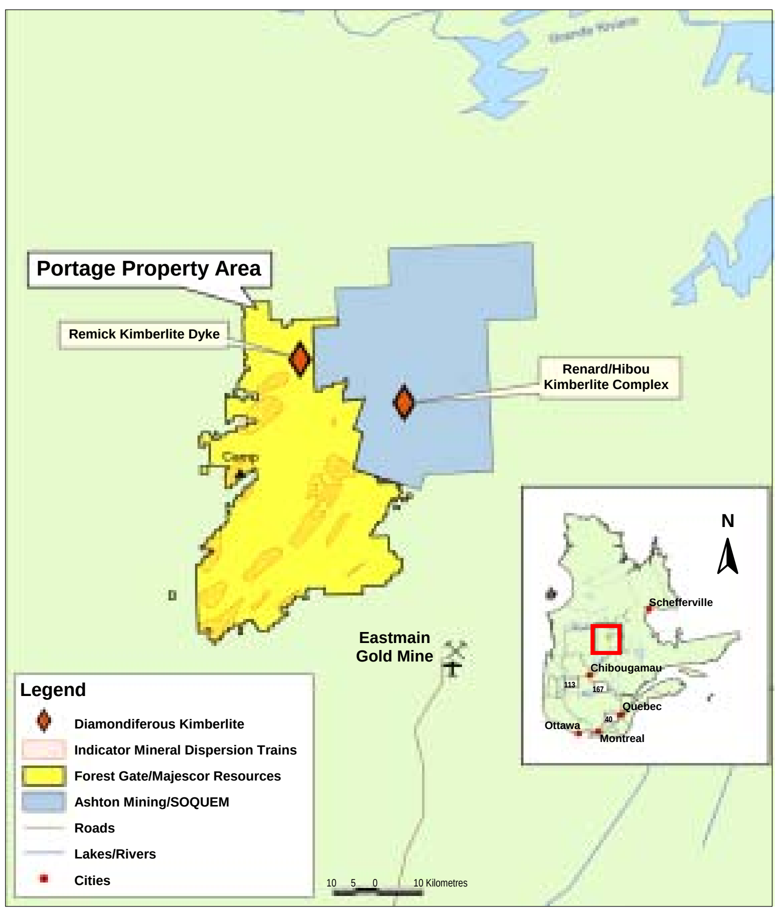
Portage also holds a diamond bearing kimberlite sill

Otish Mountains Exploration Program

In mid September, Forest Gate announced the start of the 2005 exploration program on the Portage property in the Otish Mountain region of central Quebec as part of the option agreement with Majescor Resources Inc. Exploration crews are on the property to carry out a focused till-sampling program. The Portage property is located adjacent to SOQUEM/Ashton Mining's Foxtrot property hosting the diamondiferous Renard kimberlites (see Figure 5 below). The focus of the 2005 program is to follow up and expand upon work performed in 2004 when a comprehensive regional till-sampling program highlighted several areas of promising kimberlite potential that culminated in the discovery of an *in situ* kimberlite. In the spring of 2005, three diamond drill holes pierced the kimberlite sill with intercepts ranging from 0.5 metres up to an interpreted 1.3 metres. By comparison, the DeBeers Snap Lake project will soon mine a low angle kimberlite sill structure that averages about 3.0 metres in width.

Large Portage property is closer to road access than the arctic diamond plays

Figure 5: Portage Property Map



Source: Company Reports

Blue Note Metals Inc.

On November 10, 2005, Forest Gate's subsidiary, Blue Note Metals Inc., closed a private placement of 4,000,000 Units of the company at $0.25 per Unit for gross proceeds of $1,000,000. In accordance with the Plan of Arrangement, holders of Forest Gate common shares at November 10, 2005, received 0.1168 Blue Note share for each Forest Gate share. The Company expects it will receive approval to have Blue Note Metals shares trade on the TSX Venture Exchange in the near term under the symbol BNT.

Risk Factors

Forest Gate's projects are at an early stage

Theories need to be tested

Forest Gate Resources is a junior exploration and development company and it is subject to several risks associated with this business and the market within which it operates. The Company's projects are still at the exploration stage and do not contain any initial estimated resource. The Company's projects hold all, or portions of, three diamondiferous kimberlites. The size, grade and potential value of these kimberlites is unknown at this time and it will take substantial additional work to determine if they can be mined economically. As two of these kimberlites are partially owned by others, Forest Gate may not be in control of whether these kimberlites, 121 and Duke, are included in any future development studies, even while initial results are encouraging. Forest Gate's East Side and West Side properties are located strategically next to the main kimberlite cluster but we can not know for certain that they would be necessary for any future development of this camp. The South Side property is still at an early stage of exploration, and its acquisition is based on a theory that the diamondiferous kimberlite cluster could extend to the south in this area. Even though the Company's geophysical survey shows 13 distinct anomalies with characteristics similar to the Star kimberlite, it is not known for certain that drilling will prove they do lie over new kimberlites. The South Side property lies over farmland, and the Company will seek permits and land owner permission to drill test these targets. The Company cannot guarantee that they will be able to get permission to drill all or any of the targets. The Company's early success is not necessarily an indicator of further success; diamond exploration is a long term and costly endeavor that contains many risks.

Valuation

Transaction values could be higher than NAV

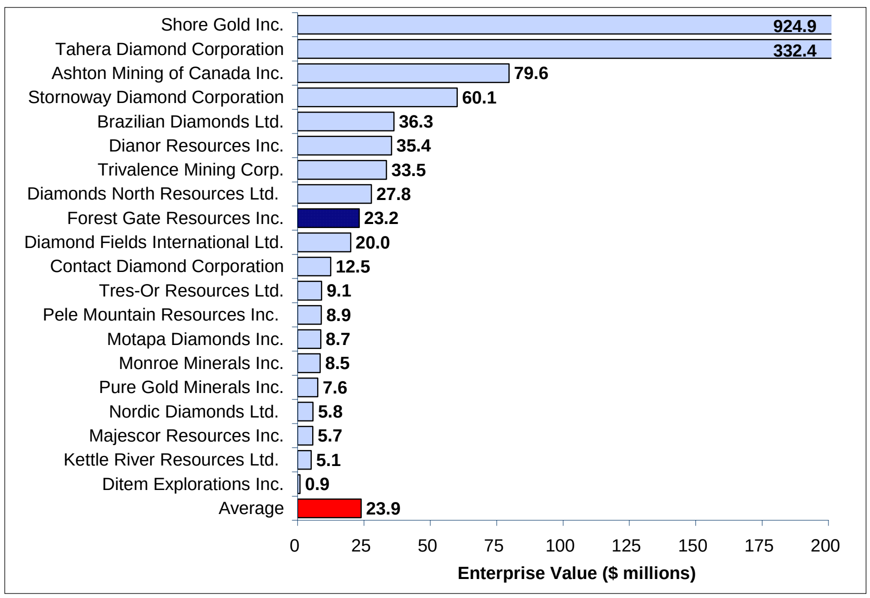
Our original valuation of Forest Gate included an implied value calculation for the three kimberlites on the East Side property based on our size estimates and additional value for the South Side property. Since this report additional information on the configuration of these pipes was released to the market. Using this new configuration and the original comparable discounts to implied value, we estimated a new net asset value (NAV) for Forest Gate that approximated the original of $0.90 per share. The recent camp consolidation transaction values Kensington (KRT) at $274 million or approximately one third (33%) of our estimated implied project value for Kensington's 42.245% share. Our valuation for Forest Gate included an average component that used a market price for KRT at only 18% of our estimated implied project value. This merger thus implies more value for these projects in the Fort à la Corne camp. Based on this transaction value, and our estimated implied value for Forest Gate's East Side property at close to $300 million, we can see significant potential for appreciation in Forest Gate's stock. Using this transaction pricing Forest Gate could trade at a third of its implied value—a market capitalization of $100 million—if it were at the same stage of development with a similar asset to KRT. Our original target implies a discount to this value, based on the need to advance Forest Gate's properties to the resource definition stage.

Other juniors are joining Forest Gate's land consolidation

Forest Gate is still the second largest land holder in the Fort à la Corne diamond camp with three strategic properties. The other junior companies in the area are recognizing both this land status and the attention that Forest Gate's stock is receiving in the market. They are willing to take Forest Gate shares for their smaller land holdings and thus be part of the larger picture of the camp consolidation. The West Side property could thus be another strategic holding for Forest Gate and add value to the story. We are adding a nominal value to the NAV for this property. The Company may be able to acquire additional strategically located ground with this same strategy. We are increasing our value for the South Side property from $5 million to $10 million based on the success of the geophysical survey in identifying 13 high-priority targets. This land package and the targets are sufficient for any junior to develop a long term exploration program to generate results and increased market value. This value can be justified by the peer comparison given on Figure 6. It is just a part of the story; success in the discovery of a new kimberlite will change the property's value significantly. The NAV also includes a nominal value for the Portage option property that hosts a known diamondiferous kimberlite sill and extensive diamond indicator trains. We expect the exploration results from this project to increase the value of Forest Gate as a whole. Based on this analysis and assignment of value, our new NAV per share is $1.14 as summarized in Tables 3 and 4.

Forest gate is trading close to the group average but we see more value

Figure 6: Diamond Exploration Company Comparables



Source: NSI estimates

Changes in pipe configuration

Table 3: Implied Valuation Summary

Dizzy	Value	121 Extension	Value	Duke	Value	Implied Value Range (millions)
Configuration: 250m dia.	$0	2% *(60% probability)*	$3.00	30% *(10% probability)*	$220.90	$264.60
175m × 200m	$73.00 $41.00	5% *(40% probability)*	$6.80	40% *(90% probability)*	$294.54	$301.37
Expected Implied Value	**$28.59**		**$5.19**		**$287.17**	**$320.96**

Source: NSI estimates

Net Asset Value increased to $1.14 per share

Table 4: Net Asset Value Summary

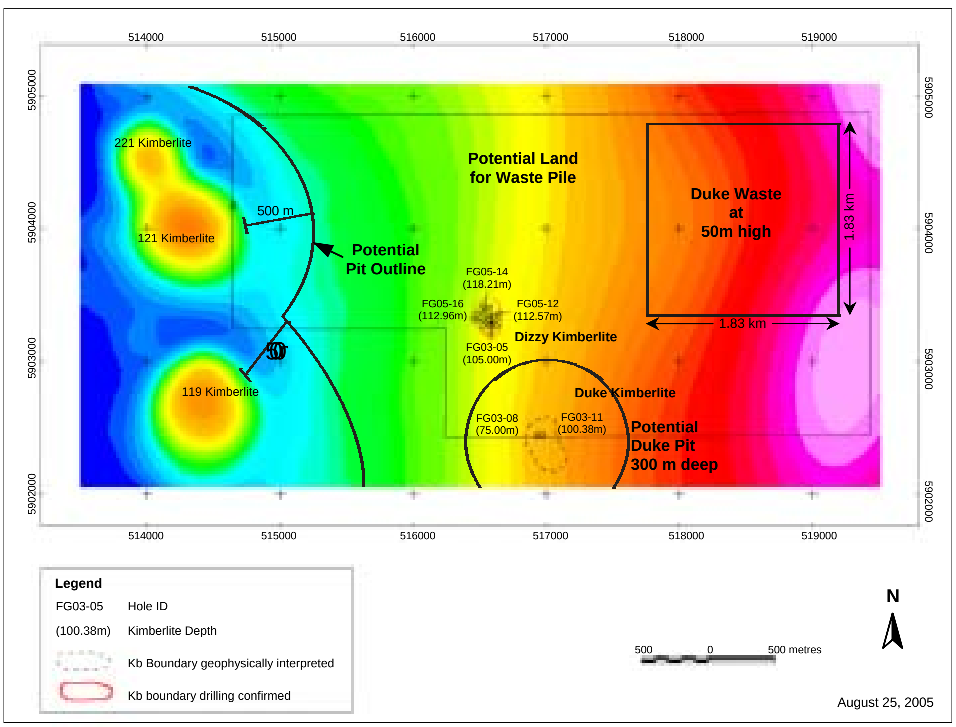
	Comparable Ratios to Forest Gate Expected Implied Value	Expected Market Cap. (millions)	NAV Per Share	Multiple to Current Value
Kensington Resources – Low	6.2	$51.77	$0.84	1.8×
Kensington Resources – High	4.9	$65.50	$1.06	2.3×
Shore Gold	7.2	$44.58	$0.72	1.6×
		Average	$0.88	1.9×
		West Side	$0.07	
		Portage	$0.03	
		South Side	$0.16	
		Target Price	**$1.14**	2.5×

Source: NSI estimates

This Shore Gold Kensington transaction makes a significant consolidation in the land holdings in the Fort à la Corne Camp and makes Forest Gate clearly the second largest land holder. The East Side property is strategically located next to both of these players and along the main access road to their camps. This piece of real estate could become important from a development point of view for both the land and the potential diamond resource it could contain. This diamond resource could come from three sources: the known diamondiferous Dizzy pipe, where recent drilling intersected the pipe and firmed up its configuration; the extension of the 121 kimberlite from the FALC JV property onto the East Side property as recently confirmed by drilling; and the Duke kimberlite that continues onto Shore Gold.

Excavations will be large with billions of tonnes of waste

Figure 7: East Side Property Possible Pits and Land Requirements



Source: Company reports, NSI estimates

From a land perspective, the East Side and West side properties also could hold substantial value to the newly merged company. Forest Gate's properties lie on the margin of the 5km high-priority development area for the FALC joint venture. The 121

Land value could also be high

kimberlite is diamondiferous and could be part of this development plan. Should an open pit mine be developed to access this kimberlite, the hole would extend substantially onto the East Side property. A similar situation exists for the development of the Duke and potentially for the development of the 122 kimberlite onto the West Side property. These open pits would also generate a large volume of overburden that would need to be disposed, and the closer to the hole the better. These pits should be a few hundred metres deep with over one hundred metres of this in sandy overburden that will require a shallow slope, both for the excavation and on the waste piles. We would expect the push back on these pits to be in the range of five hundred metres around the limits of the kimberlites (see Figure 7). These strategic land holdings will become more valuable as the development plans of the camp advance. Our current valuation does not include a view on the simple land value.

Shore Gold is financed for acquisitions

The new Shore Gold recently announced a $120 million financing that will be used for the advancement of the Fort à la Corne property as well as acquisitions and exploration or additional diamond properties. Forest Gate's lands could be on this list for both the strategic lands and the South Side property should a discovery be made.

The combined company is committed to the continuation of the projects and expenditures outlined by the parties prior to the merger. Thus the news flow and results will continue as expected in our initial report. This work includes investigations of the 121 kimberlite by the FALC JV and the Duke kimberlite by Shore Gold. Results from this work will continue to generate market interest for the camp and Forest Gate's shares.

Timing for production decisions remains the same at this time as well, 2007 for Star and 2008 for FALC. The merger company clearly wants to be the main player in this camp with respect to the development of a new diamond mine in Canada. Any new significant discoveries in the camp by others could be a target for this new very large company or other major diamond players in Canada or the world.

Financial Position

The Company has sufficient funding to move its projects to the next level over the next few years. The cash position at the end of September, including Blue Note Metals stock, was $4.1 million. Since that time, the Company has raised $1.5 million in additional funds for Forest Gate and $1 million for Blue Note Metals. As of the end of September 2005, Forest Gate's exploration expenses totaled close to $1.45 million. The Company's current share capital position is outlined on Table 5, with the most recent financial statements given in Tables 6, 7 and 8.

Conclusion

We believe that the Company's projects are strategically located within the Fort à la Corne diamond camp and their value will appreciate as the neighbouring projects advance. A discovery on the South Side property would have a dramatically positive impact on this camp. Forest Gate is generating positive results that will ensure it remains part of this diamond play. **We upgraded our 12-month target to $1.10 and maintain our SPECULATIVE BUY recommendation.**

Table 5: Capital Structure

Instrument	Number	Percentage	Market Value	Options
Current Share Price			**$0.43**	
Officers and Directors				
Michael Judson, CEO	1,593,378	2.3%	$ 685,153	1,740,500
Andre Audet		0.0%	-	425,000
Andre Fortier		0.0%	-	300,000
Jean Girard		0.0%	-	450,000
John Mavridis	122,000	0.2%		150,000
Robert Kramberger	60,000	0.1%	25,800	300,000
Stephen Roebuck		0.0%	-	900,000
Other Employees/Consultants		0.0%		500,000
Officers and Directors Total	1,775,378	2.6%	$ 763,413	4,765,500
Total Common Shares	69,403,647	100.0%	$ 29,843,568	
Trading Float	67,628,269	97.4%	$ 29,080,156	
Options				
Options held by Officers & Directors	4,315,500	87.3%		
Options held by others	625,000	12.7%		
Total Options	4,940,500	100.0%		
Warrants (Exercise price)			**Current Value**	
Warrants	15,032,373	82.7%	$ (23,600,826)	
Warrants ($0.65)	1,875,000	10.3%		
Broker Warrants	1,277,315	7.0%	(1,238,996)	
Total Warrants	18,184,688	100.0%	$ (24,839,821)	
Basic Share Count	**69,403,647**	**100.0%**	**$ 29,843,568**	
Fully diluted share count	**92,528,835**	**133.3%**	**$ 39,787,399**	

Source: Company reports, NSI estimates

Table 6: Consolidated Statement of Earnings and Deficit

	Three months ended June 30, 2005	Three months ended June 30, 2004	Six months ended June 30, 2005	Six months ended June 30, 2004
Revenue				
Interest income	**$ 47,034**	$ 4,484	**$ 50,760**	$ 8,313
Expenses				
Salaries and levies	**92,347**	23,919	**160,650**	47,174
Value of stock options granted to directors and consultants	**17,446**	18,808	**46,573**	38,317
Professional and consulting fees	**66,166**	61,144	**102,367**	91,530
Rent	**11,329**	3,639	**22,439**	7,127
Office expenses	**49,111**	33,147	**62,764**	53,207
Taxes	**17,296**	2,492	**28,271**	6,608
Registration and business development	**1,025**	6,565	**48,808**	28,925
Telephone	**5,142**	1,747	**9,499**	3,654
Corporate marketing and business development	**81,742**	33,205	**129,043**	71,987
Investor relations	**16,288**		**42,918**	
Insurance	**5,653**	757	**8,604**	8,740
Financial charges	**1,151**	2,478	**3,896**	2,952
Reallocation expense	**19,113**		**19,113**	
Amortization of office furniture and equipment	**3,276**	112	**5,828**	173
	$ 387,085	$ 188,013	**$ 690,773**	$ 360,394
Net profit/(loss)	**(340,051)**	(183,529)	**(640,013)**	(352,081)
Deficit at the beginning of the period	**(1,649,143)**	(953,753)	**(1,349,181)**	(785,201)
Deficit at the end of the period	**$ (1,989,194)**	$ (1,137,282)	**$ (1,989,194)**	$ (1,137,282)
Basic loss per share and diluted loss per share	**$ 0.00552**	$ 0.00772	**$ 0.01406**	$ 0.01537
Weighted average number of shares outstanding	**61,560,251**	23,784,239	**45,536,260**	22,913,555

Source: Company reports

Table 7: Balance Sheet

As at	June 30, 2005 (unaudited)	December 31, 2004
Assets		
Current assets		
Short-term investments	$ 6,382,530	$ 623,500
Accounts receivable	191,698	77,370
Prepaid expenses	18,229	34,396
Deferred financing costs	-	16,000
Deferred acquisition costs	492,628	119,175
	7,085,085	870,441
Mining properties and deferred exploration costs	1,939,917	1,235,106
Office furniture and equipment	50,803	33,533
Total Assets	**$ 9,075,805**	**$2,139,080**
Liabilities		
Current liabilities		
Bank indebtedness	$ 44,181	$ 2,380
Accounts payable and accrued liabilities	535,174	173,549
	579,355	175,929
Shareholders' equity		
Share capital	9,693,045	2,557,475
Warrants	121,506	506,089
Contributed surplus	671,093	248,768
	10,485,644	3,312,332
Deficit	(1,989,194)	(1,349,181)
	8,496,450	1,963,151
Total Liabilities and Shareholders' Equity	**$ 9,075,805**	**$2,139,080**

Source: Company reports

Table 8: Consolidated Statement of Cash Flows

	Three months ended June 30,		Six months ended June 30,	
	2005	**2004**	**2005**	**2004**
Cash provided from (used for):				
Operating activities				
Net loss	**$ (340,051)**	$ (183,529)	**$ (640,013)**	$ (352,081)
Non-cash items:				
Amortization of office furniture and equipment	**3,276**	112	**5,828**	173
Non-cash stock-based compentsation	**17,446**	18,808	**46,573**	38,317
Net changes in non-cash components of operating working capital	**167,822**	10,234	**263,464**	(43,553)
	(151,507)	(154,375)	**(324,148)**	(357,144)
Financing activities				
Net proceeds (expenses net of proceeds) on equity issues	**(9,373)**	33,000	**7,126,739**	352,915
Deferred financing costs			**16,000**	
	(9,373)	33,000	**7,142,739**	352,915
Investing activities				
Acquisition of office furniture and equipment	**(14,404)**	(680)	**(23,098)**	(680)
Short-term investments, net variation	**923,145**	191,000	**(5,759,030)**	116,000
Deferred acquisition costs	**(273,953)**		**(373,453)**	
Mining properties and deferred exploration costs	**(692,639)**	(45,862)	**(704,811)**	(104,769)
	(57,851)	144,458	**(6,860,392)**	10,551
Net increases (decrease) in cash and cash equivalents	**(218,731)**	23,083	**(41,801)**	6,322
Cash and cash equivalents (Bank indebtedness) - beginning	**174,550**	(19,343)	**(2,380)**	(2,582)
Cash and cash equivalents (Bank indebtedness) - ending	**$ (44,181)**	$ 3,740	**$ (44,181)**	$ 3,740
Represented by:				
Cash with bank (Bank indebtedness)	**$ (44,181)**	$ 3,740	**$ (44,181)**	$ 3,740

Source: Company reports

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