INTERNATIONAL PBX VENTURES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2004 AND 2003

MANNING ELLIOTT
CHARTERED ACCOUNTANTS
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AUDITORS' REPORT

To the Shareholders of
International PBX Ventures Ltd.

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

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the 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.

Manning Elliott

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
March 7, 2005

INTERNATIONAL PBX VENTURES LTD.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2004 AND 2003

	2004 $	2003 $
ASSETS		
CURRENT ASSETS		
Cash	930,119	803,127
Marketable securities [Note 3]	42,000	23,000
Accounts receivable	10,418	8,399
Prepaid expenses	9,421	4,529
	991,958	839,055
PROPERTY AND EQUIPMENT [Note 4]	57,727	35,864
MINERAL INTERESTS [Note 5]	3,286,470	2,748,076
	4,336,155	3,622,995
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities [Note 7]	23,615	41,214
Amount owing to a former director [Note 7]	95,855	95,855
	119,470	137,069
SHAREHOLDERS' EQUITY		
CAPITAL STOCK [Note 8]	10,389,913	8,934,358
SUBSCRIPTIONS RECEIVED	–	12,500
CONTRIBUTED SURPLUS	73,000	–
DEFICIT	(6,246,228)	(5,460,932)
	4,216,685	3,485,926
	4,336,155	3,622,995

Approved on behalf of the Board: *"Gary Medford"* Gary Medford, Director *"Verna Wilson"* Verna Wilson, Director

(See accompanying notes to the financial statements)

INTERNATIONAL PBX VENTURES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004 $	2003 $
ADMINISTRATIVE EXPENSES		
Administration and management fees	120,000	135,000
Amortization	4,225	1,738
Bank charges	1,179	2,469
Finder's fees	18,625	132,248
Foreign exchange	21,598	26,095
General exploration	–	6,979
Impairment of mineral interests	159,148	–
Investor relations	229,318	118,326
Office, telephone, rent and secretarial	46,973	16,422
Professional fees	38,495	45,048
Stock-based compensation	73,000	–
Transfer agent and regulatory	17,411	28,163
Travel, promotion and mining shows	58,122	22,643
Less interest income	(2,798)	(6,204)
NET LOSS FOR THE YEAR	(785,296)	(528,927)
DEFICIT - BEGINNING OF YEAR	(5,460,932)	(4,932,005)
DEFICIT - END OF YEAR	(6,246,228)	(5,460,932)
	$	$
Loss Per Share – basic and diluted	(0.03)	(0.02)
Weighted Average Shares Outstanding	29,807,000	23,750,000

(See accompanying notes to the financial statements)

INTERNATIONAL PBX VENTURES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004 $	2003 $
OPERATING ACTIVITIES		
Net loss for the year	(785,296)	(528,927)
Less items not affecting cash		
Amortization	4,225	1,738
Amortization charged to mineral interests	12,757	5,485
Impairment of mineral interests	159,148	–
Stock-based compensation	73,000	–
	(536,166)	(521,704)
Change in non-cash components of working capital	19,244	(23,160)
CASH TO OPERATING ACTIVITIES	(516,922)	(544,864)
FINANCING ACTIVITIES		
Proceeds from (repayment of) director's loans	–	(126,550)
Capital stock issued	1,357,055	2,275,050
Subscriptions received	–	12,500
	1,357,055	2,161,000
INVESTING ACTIVITIES		
Acquisition of and expenditures upon mineral interests	(674,296)	(856,818)
Acquisition of property and equipment	(38,845)	(35,391)
	(713,141)	(892,209)
INCREASE IN CASH	126,992	723,927
CASH - BEGINNING OF YEAR	803,127	79,200
CASH - END OF YEAR	930,119	803,127
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Issuance of shares for acquisition of mineral interests	55,000	80,000
Option payments received by way of marketable securities	19,000	13,000
SUPPLEMENTAL DISCLOSURES		
Interest paid	–	–
Income tax paid	–	–

(See accompanying notes to the financial statements)

1. NATURE OF OPERATIONS

The Company is a mineral exploration stage company and is in the business of acquiring and exploring mineral properties in Chile. There has been no determination whether properties held contain ore reserves, which are economically recoverable.

The recoverability of carrying amounts for mineral claims and options 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 of the mineral claims and achieve profitable production, or to dispose of its claims for proceeds equal to their carrying amounts.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, and accordingly, do not purport to give effect to adjustments, if any, which may be appropriate should the Company be unable to continue as a going concern entity.

The Company intends to remain viable through receiving proceeds from private placements of its shares and option proceeds from its mineral concessions in the form of cash, shares and exploration commitments.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned Chilean subsidiary, Minera IPBX Ltda., and its wholly-owned Canadian subsidiary, Tierra de Oro Resources Ltd.

[b] Cash and cash equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

[c] Marketable securities

Marketable securities are recorded at cost. Losses in value, which are other than temporary, are recognized by writing down the investment to market value.

[d] Property and equipment

Amortization is recorded at rates sufficient to amortize asset cost over the anticipated useful life of the asset. The amortization rate for furniture and office equipment is 30% on the declining balance basis.

[e] Mineral claims and deferred exploration costs

The Company records its interests in mineral properties at cost. Costs relating to these interests are capitalized on the basis of specific claim blocks or areas of geological interest in accordance with Canadian Institute of Chartered Accountants Accounting Guideline 11 – Enterprises in the Development Stage ("AG11") until the properties to which they relate are placed into production, sold or allowed to lapse. These costs will be amortized over the estimated useful life of the property following commencement of production, or written off if the mineral properties or projects are sold or allowed to lapse. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written-off.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[e] Mineral claims and deferred exploration costs (continued)

Pursuant to AG11 there is a presumption of impairment in the carrying amount of deferred development costs of enterprises in the development stage engaged in extractive operations when any of the following conditions exist:

[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.

[f] Income taxes

The Company uses the liability method for recording income taxes and records future income tax liabilities or assets for temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet, using tax rates anticipated to apply in the periods that the differences are expected to reverse.

[g] Share issue costs

Costs of issuing shares are offset against the related share proceeds. Finder's fees are charged to operations as incurred.

[h] Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates and assumptions used.

[I] Financial instruments

Financial instruments included in the balance sheet are comprised of cash, marketable securities, accounts receivable, accounts payable and accrued liabilities and an amount owing to a former director. The fair values of these financial instruments are equivalent to their carrying values because of their short-term maturity. The Company is not party to any derivative instruments.

The Company is not exposed to interest rate risk or concentrations of credit risk.

[j] Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. The Company's Chilean subsidiary is considered a fully integrated foreign subsidiary whereby monetary assets and liabilities have been translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Non-monetary assets, and revenue and expense items are translated at the rates prevailing at their respective historical transaction dates. Gains and losses resulting from foreign exchange translation are reflected in operations for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

[k] Stock-Based Compensation

Effective July 1, 2003, the Company adopted prospectively, the fair value method to recognize options granted. Accordingly, all stock-based payments are measured at the fair value of the equity instruments issued on the date of grant using the Black-Scholes model and are recognized over the vesting period of instruments. The fair value of stock-based payments is periodically re-measured until counter-party performance is complete, and any changes are recognized over the remaining vesting period. The value of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at the grant date.

[l] Loss per share

The Company uses the treasury stock method for the calculation and presentation of both basic and diluted loss per share.

3. MARKETABLE SECURITIES

During the year, the Company received 100,000 common shares of Pathfinder Resources Ltd. with respect to the Zulema-Batatazo Prospect as noted in Note 5[e] below. As at December 31, 2004, the market value of all marketable securities owned by the Company totalled $38,000 (December 31, 2003 - $38,500).

4. PROPERTY AND EQUIPMENT

	Cost $	Accumulated Amortization $	2004 Net Book Value $	2003 Net Book Value $
Automotive	51,634	13,897	37,737	21,507
Field equipment	720	287	433	612
Furniture and office equipment	34,199	14,642	19,557	13,745
	86,553	28,826	57,727	35,864

5. MINERAL INTERESTS

	Acquisition and Staking $	Deferred Exploration $	Total 2004 $	Total 2003 $
Chile				
Tierra de Oro [a]	402,942	1,539,237	1,942,179	1,754,917
San Pedro [b]	9,840	31,827	41,667	27,132
Tabaco [d]	281,338	725,258	1,006,596	779,526
Zulema-Batatazo [e]	–	–	–	93,014
Sierra Pintada [f]	20,027	91,721	111,748	34,622
Hornitos [g]	(6,749)	22,853	16,104	20,349
Fuego [h]	9,949	10,929	20,878	8,516
Romerito [i]	3,940	11,184	15,124	–
Copaquire [j]	106,747	25,427	132,174	–
	828,034	2,458,436	3,286,470	2,718,076
Canada				
Quebec [c]	–	–	–	30,000
	828,034	2,458,436	3,286,470	2,748,076

[a] Tierra de Oro, Chile

The Company owns a 100% interest in 20 exploration concessions and optioned claims near Copiapo, Northern Chile. Seven new exploration claims have been staked covering 1,900 hectares.

[i] Aldershot Option

The Company signed a Memorandum of Understanding (MOU) with Aldershot Resources Ltd. (“Aldershot”) (also known as the Los Lomitas Joint Venture) selling 70% of the Company’s interest in five of the twenty concessions. In addition, seven new exploration claims are to be added as part of the Aldershot option. The result will be that Aldershot will have the sole and exclusive right and irrevocable option to acquire up to a 70% interest in and to the twelve concessions, in exchange for US$285,000 cash, the issuance of up to 400,000 shares of Aldershot (100,000 shares received in 2002), and payment of up to $1,180,000 of expenditures necessary for the development of the concessions.

The MOU was amended in 2001 to include a further payment of US$10,000. A further amendment was made on February 22, 2002. In order to bring the Option into good standing, Aldershot paid US$5,500 to the Company to complete the necessary government fees for the concessions and Aldershot agreed to pay all necessary government fees relating to the concessions on December 31, 2002 and each anniversary date thereafter as they become due.

No formal agreement has been entered into as of December 31, 2004 but the MOU has been extended to December 31, 2004. No further extension of the MOU has been pursued by the Company. Also see Note 11[f]).

[ii] San Joint Venture

In order to facilitate the exploration, claims owned wholly by the Company and some claims optioned by Aldershot from the Company under the Los Lomitas Joint Venture have been transferred to create the San Joint Venture which will proceed on a 50-50 basis. 200 hectares were contributed by Aldershot out of the Los Lomitas Joint Venture and 100 hectares were contributed by the Company out of the Tierra de Oro property. As of December 31, 2004, no activities have been undertaken to jointly explore the San Joint Venture.

5. MINERAL INTERESTS (continued)

[a] Tierra de Oro, Chile (continued)

	Accumulated to December 31, 2003 $	Expenditures during the year $	Accumulated to December 31, 2004 $
Deferred Exploration Expenditures			
Assays	112,852	45,857	158,709
Automotive	59,612	2,104	61,716
Camp and exploration supplies	23,411	393	23,804
Drilling	224,832	–	224,832
Equipment rental	24,348	–	24,348
Geophysical, geological and geochemical	345,572	78,685	424,257
Mapping	18,223	4,862	23,085
Office, rent, telephone and professional fees	134,223	19,629	153,852
Personnel	57,717	–	57,717
Project management	270,104	5,755	275,859
Report writing	25,589	–	25,589
Travel	76,696	8,773	85,469
	1,373,179	166,058	1,539,237
Acquisition, staking and lease costs	446,569	17,057	463,626
Less: Option payments (received) paid	(64,831)	4,147	(60,684)
	1,754,917	187,262	1,942,179

[b] San Pedro, Chile

The Company staked 600 hectares of exploration concessions in Northern Chile.

	Accumulated to December 31, 2003 $	Expenditures during the year $	Accumulated to December 31, 2004 $
Deferred Exploration Expenditures			
Assays	1,899	–	1,899
Automotive	978	218	1,196
Geophysical, geological and geochemical	987	3,178	4,165
Mapping	–	662	662
Office	11,408	8,961	20,369
Project management	723	307	1,030
Travel	2,104	402	2,506
	18,099	13,728	31,827
Staking costs	9,033	807	9,840
	27,132	14,535	41,667

5. MINERAL INTERESTS (continued)

[c] Quebec, Canada

The Company purchased a 100% interest in 50 claims located in Quebec for $30,000 cash. These claims required either work or payments in lieu of work on or before April 18, 2004. As the Company is wholly committed to work on the properties in Chile, these claims have been allowed to lapse, and the $30,000 acquisition costs incurred was written off in 2004.

[d] Tabaco, Chile

[i] The Company entered into an agreement in 2004 which replaces previous agreements to acquire a 100% interest in the Tabaco Prospect in Chile over the following four years for US$2,000,000. The first US$100,000 instalment is payable in cash by January 15, 2006.

At any time after January 15, 2006, the Company will have the option to pay the balance of the purchase price from production at the rate of US$0.10 per pound of copper produced.

[ii] The Company has staked seven exploration concessions, consisting of 2,000 hectares which are 100% owned by the Company. These claims overlie 420 hectares of Exploration Concessions to be acquired under option as noted in Note 5[d][i].

	Accumulated to December 31, 2003 $	Expenditures during the year $	Accumulated to December 31, 2004 $
Deferred Exploration Expenditures			
Assays	28,300	21,563	49,863
Automotive	6,648	690	7,338
Camp supplies	557	2,062	2,619
Drilling	371,998	–	371,998
Excavation and road building	25,307	–	25,307
Geophysical, geological and geochemical	98,288	43,359	141,647
Mapping	–	662	662
Office	14,429	11,981	26,410
Project management	82,462	–	82,462
Report writing	3,037	–	3,037
Travel	12,762	1,153	13,915
	643,788	81,470	725,258
Acquisition, staking and lease costs	131,874	149,464	281,338
	775,662	230,934	1,006,596

5. MINERAL INTERESTS (continued)

[e] Zulema-Batatazo Prospect, Chile

The Company signed a Letter of Intent ("LOI") dated September 18, 2002 to acquire a 100% interest in certain mining concessions located in the Copayapu Mining District, Sierra Pinffio, Province of Copiapo, Chile. On February 14, 2003 the Company signed a formal agreement. Consideration is to be paid as follows:

	Cumulative Work Commitment US $	# of Shares	US $	
On signing of LOI			20,000	(paid)
On signing of a formal agreement		100,000	20,000	(paid)
February 14, 2004	100,000	100,000	60,000	(paid)
February 14, 2005 (Note 10[b])	250,000	100,000	200,000	
February 14, 2006	400,000	100,000	300,000	
February 14, 2007			1,400,000	
	750,000	400,000	2,000,000	

The property is subject to a 1% net smelter return royalty capped at $2,500,000.

On December 20, 2002, the Company entered into an agreement with Pathfinder Resources Ltd. ("Pathfinder") whereby Pathfinder was to acquire a 70% interest in the Company's interest in the property. Consideration was to be cash payments totalling US$2,010,000 over 48 months, the issuance of 400,000 shares over 36 months and the expenditure for work on the property of US$400,000 over 36 months. An additional 500,000 shares were to be issued in the event an economic feasibility study is completed. During fiscal 2004, Pathfinder issued 100,000 common shares and paid US$65,065 to the Company pursuant to this option agreement.

In 2004, the Company staked five additional exploration claims covering 1,200 hectares. On December 1, 2004, the Company received notice from Pathfinder that they will not be exercising their purchase option to acquire any interest in the property. The Company decided to not pursue the Zulema-Batatazo prospect and as a result deferred project costs have been written-off to operations. Also see Note 11[b].

	Accumulated to December 31, 2003 $	Expenditures during the year $	Written-off during the Year $	Accumulated to December 31, 2004 $
Deferred Exploration Expenditures				
Automotive	81	219	(300)	–
Field supplies	9	–	(9)	–
Geophysical, geological and geochemical	3,172	129	(3,301)	–
Office	3,718	8,876	(12,594)	–
Project management	9,108	–	(9,108)	–
Travel	2,398	375	(2,773)	–
	18,486	9,599	(28,085)	–
Acquisition costs	162,914	125,185	(288,099)	–
Less: Option payments received	(88,386)	(98,650)	187,036	–
	93,014	36,134	(129,148)	–

5. MINERAL INTERESTS (continued)

[f] Sierra Pintada, Chile

The Company staked fourteen exploration claims covering 3,300 hectares.

	Accumulated to December 31, 2003 $	Expenditures during the year $	Accumulated to December 31, 2004 $
Deferred Exploration Expenditures			
Assays	1,253	18,818	20,071
Automotive	81	2,078	2,159
Geophysical, geological and geochemical	5,493	27,459	32,952
Mapping	–	662	662
Office	10,045	10,109	20,154
Project management	7,805	1,992	9,797
Travel	426	5,500	5,926
	25,103	66,618	91,721
Staking costs and taxes	9,519	10,508	20,027
	34,622	77,126	111,748

[g] Hornitos Copper-Gold Property, Chile

The Company staked eleven claims, covering 3,200 hectares located 35 kilometres south of Copiapo, Chile.

	Accumulated to December 31, 2003 $	Expenditures during the year $	Accumulated to December 31 2004 $
Deferred Exploration Expenditures			
Automotive	81	218	299
Field supplies	9	–	9
Geophysical, geological and geochemical	788	951	1,739
Mapping	–	662	662
Office, rent, telephone and professional fees	7,822	8,290	16,112
Project management	655	–	655
Report writing	1,350	–	1,350
Travel	1,626	401	2,027
	12,331	10,522	22,853
Acquisition, staking and lease costs	8,018	1,233	9,251
Less: Option payment	–	(16,000)	(16,000)
	20,349	(4,245)	16,104

On August 20, 2004, the Company entered into an Option Agreement with Aldershot Resources Ltd. ("Aldershot") to explore and develop the eleven exploration concessions in the property ("Hornitos Group of Claims"). Aldershot will pay the Company a total of $370,000 over the following four years ($16,000 paid in fiscal 2004) to acquire a 65% undivided interest in and to the Hornitos Group of Claims. A total of $1.3 million in "best effort" exploration expenditure is also committed by Aldershot over the following four years. Aldershot will act as Operator for the duration of the Option Agreement.

5. MINERAL INTERESTS (continued)

[h] Fuego Claims, Chile

The Company staked four claims covering 900 hectares located 50 kilometres west of the Tierra de Oro property.

	Accumulated to December 31, 2003 $	Expenditures during the year $	Accumulated to December 31 2004 $
Deferred Exploration Expenditures			
Automotive	–	597	597
Geophysical, geological and geochemical	–	979	979
Mapping	–	662	662
Office, rent, telephone and professional fees	–	8,290	8,290
Travel	–	401	401
	–	10,929	10,929
Acquisition, staking and tax costs	8,516	1,433	9,949
	8,516	12,362	20,878

[i] Romerito Claims, Chile

The Company acquired the right to a 70% interest in three copper/gold exploitation concessions, covering 225 hectares. The vendors will retain a 30% interest. Cost of the acquisition is 100% of the maintenance of the concessions and the cost of setting up a Chilean private company in which the Company's wholly-owned Chilean subsidiary, Minera IPBX Ltda ("Minera") will hold 70% and Geoexploraciones S.A. will hold 30%. Minera will, at its own cost and discretion, undertake to enhance the value of the property by geological mapping, sampling and drilling for a period of one year. At March 30, 2005, the Company may continue or withdraw from the agreement.

	Accumulated to December 31, 2003 $	Expenditures during the year $	Accumulated to December 31 2004 $
Deferred Exploration Expenditures			
Automotive	–	219	219
Field supplies		42	42
Geophysical, geological and geochemical	–	833	833
Mapping	–	662	662
Office, rent, telephone and professional fees	–	8,930	8,930
Travel	–	498	498
	–	11,184	11,184
Acquisition, staking and tax costs	–	3,940	3,940
	–	15,124	15,124

5. MINERAL INTERESTS (continued)

[j] Copaquire Property, Chile

During the year, the Company entered into an Option Purchase Agreement with Compania Minera Huatacondo S.C.M. and Sociedad Legal Minera Macate Primera de Huatacondo of Chile to acquire the Copaquire copper-molybdenum porphyry, Region II in Chile. Pursuant to this agreement, the Company can purchase a 100% interest, subject to a 2% NSR, for US$2,100,000 and US$2,000,000 in work commitments over four years. The Company paid US$25,000 in each of January 2004 and July 2004.

	Accumulated to December 31, 2003 $	Expenditures during the year $	Accumulated to December 31 2004 $
Deferred Exploration Expenditures			
Automotive	–	734	734
Geophysical, geological and geochemical	–	31,517	31,517
Mapping	–	662	662
Office, rent, telephone and professional fees	–	10,458	10,458
Travel	–	1,660	1,660
	–	45,031	45,031
Acquisition, staking and tax costs	–	87,143	87,143
	–	132,174	132,174

6. CAPITAL STOCK

[a] Authorized:

100,000,000	Common shares without par value
100,000,000	Class A preference shares, $1 par value
100,000,000	Class B preference shares, $5 par value

	Shares #	Value $
Issued as at December 31, 2002	18,913,406	6,579,308
Issued for cash pursuant to:		
Options exercised	140,000	14,000
Warrants exercised	3,335,000	432,750
Private placement	4,856,600	1,828,300
Issued for acquisition of mineral interests	100,000	80,000
Issued as at December 31, 2003	27,345,006	8,934,358
Issued for cash pursuant to:		
Options exercised	700,000	70,000
Warrants exercised	1,085,600	346,210
Agent units exercised	400,000	113,750
Agent warrants exercised	345,000	120,750
Private placement	2,500,000	749,845
Issued for acquisition of mineral interests	100,000	55,000
Issued as at December 31, 2004	32,475,606	10,389,913

6. CAPITAL STOCK (continued)

[a] Authorized (continued):

[i] On October 20, 2004, the Company arranged for a private placement of up to 2,500,000 units at $0.30 per unit for total proceeds of up to $750,000. Each unit will consist of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase a further common share at a price of $0.50 per share for a period of one year.

[ii] 400,000 Agent's units were exercised in 2004 for total proceeds of $113,750. Upon the exercise of the units, 345,000 warrants were issued and exercised for proceeds of $120,750 and 55,000 warrants were issued which entitled the holder to purchase one common share at $0.60 per share which expired on April 17, 2004.

[b] Options:

The Company has implemented a stock option plan (the "Plan") to be administered by the Board of Directors. Pursuant to the Plan the Board of Director's has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than five years after the grant date. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest fully upon the expiry of a four-month hold period, unless otherwise approved by the relevant regulatory authorities. Options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

A summary of the status of the Company's stock options outstanding as at December 31, 2003 and December 31, 2004 and changes during the years then ended is as follows:

	Number of shares	Weighted average exercise price $
Outstanding, December 31, 2002	1,740,000	0.10
Granted	250,000	0.40
Exercised	(140,000)	0.10
Outstanding, December 31, 2003	1,850,000	0.14
Granted	500,000	0.34
Exercised	(700,000)	0.10
Cancelled	(1,200,000)	0.16
Outstanding, December 31, 2004	450,000	0.39
Exercisable at end of year	450,000	0.39

6. CAPITAL STOCK (continued)

[b] Options: (continued)

Additional information regarding options outstanding at December 31, 2004 is as follows:

	Outstanding and Exercisable		
Exercise price $	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.40	250,000	0.5	0.40
0.38	200,000	0.9	0.38
	450,000	0.71	0.39

During the year, the Company granted 500,000 stock options to various consultants with fair values ranging from $0.09 to $0.27 per option and has recorded $73,000 as stock-based compensation. The fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.00% to 2.29%
Expected life of options	7 months to 1 year
Expected volatility	60%
Expected dividend yield	0%

[c] Warrants:

	Number of shares	Weighted average exercise price $
Outstanding, December 31, 2002	3,960,000	0.13
Granted	4,856,600	0.48
Exercised	(3,335,000)	(0.13)
Expired	(475,000)	(0.15)
Outstanding, December 31, 2003	5,006,600	0.47
Granted	2,900,000	0.48
Exercised	(1,430,600)	(0.33)
Expired	(3,976,000)	(0.51)
Outstanding, December 31, 2004	2,500,000	0.50

Warrants outstanding as at December 31, 2004:

#	Exercise Price $	Expiry Date
2,500,000	0.50	December 21, 2005

7. RELATED PARTY TRANSACTIONS/BALANCES

The following amounts were recorded at their exchange amounts:

$30,000 (2003 - $30,000) for administrative services and $90,000 (2003 - $105,000) for management services were paid to companies controlled by directors.

The following amounts were paid to the President of the Company and recorded at their exchange amounts:

[a] Property management - $5,104 (2003 - $27,407)

[b] Office and administration - $47,283 (2003 - $16,515)

[c] Geological and geophysical expenditures - $87,145 (2003 - $114,548)

Included in accounts payable is $3,476 (2003 - $9,259) owing to the President of the Company for unpaid fees and expenses.

A former director is owed $95,855. To date, management has been unsuccessful in attempting to settle this claim on a basis satisfactory to the Company. The Company is under no duress to pay this amount.

8. LOSSES AND DEDUCTIONS FOR TAX PURPOSES

The Company has Canadian income tax losses of approximately $1,835,000, which are available to reduce taxable income of future years. The losses expire as follows:

	$		$
2005	284,000	2009	87,000
2006	144,000	2010	518,000
2007	114,000	2011	596,000
2008	92,000		

The future income tax asset associated with these losses is approximately $660,000 using a tax rate of 36%. As realization of this asset is not more likely than not a valuation allowance of $660,000 reduces this asset to Nil.

The Company has Canadian and foreign exploration and development expenditures available to reduce taxable income of future years. These expenditures, totalling some $2,111,000 can be claimed at rates varying from 10% to 100% and have no expiry dates.

The potential benefits of income tax losses and exploration and development expenditures will be recognized in the accounts when realized.

9. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

[a] The Company entered into an Investor Relations and Corporate Communication Services Agreement for consideration of $7,500 per month expiring December 31, 2004. Pursuant to this agreement, the Company granted 250,000 stock options in 2003, each option entitling the holder to purchase one common share of the Company at an exercise price of $0.40 for a period of two years, expiring June 18, 2005. In addition, the Company granted 200,000 stock options for investor relations services in 2004 at an exercise price of $0.38 each, expiring November 5, 2005.

[b] In 2003, the Company entered into an Investor Relations Agreement for consideration of $6,500 per month. The agreement was in effect until January 31, 2004 and has been extended on a monthly basis until February 29, 2004. During the year, the Company paid a total of $18,000 under this agreement. In addition, the Company entered into a Consultant's Option Agreement with the same party, granting 220,000 stock options, which expired on October 24, 2004.

10. SEGMENTED INFORMATION

The Company is in the business of acquiring and exploring mineral properties in Chile. Although all of its mineral interests are located in Chile, some costs were incurred in Canada. The following is a breakdown of the Company's assets by geographical area.

	Canadian $	Chile $	Total $
Cash	926,840	3,279	930,119
Marketable securities	42,000	–	42,000
Accounts receivable	5,883	4,535	10,418
Prepaid expenses	9,421	–	9,421
	984,144	7,814	991,958
Property equipment	16,115	41,612	57,727
Mineral interests	651,740	2,634,730	3,286,470
	1,651,999	2,684,156	4,336,155

11. SUBSEQUENT EVENTS

Subsequent to December 31, 2004:

[a] The Company renewed the Investor Relation and Corporate Communication Services Agreement as disclosed in Note 9[a] until June 30, 2005. The services will be provided for consideration of $5,000 per month starting February 1, 2005.

[b] The Company gave notice to the optionors of the Zulema-Batatazo prospect that the Company terminates its option to purchase the properties in accordance with the Option to Purchase Agreement. The Company will not be making the next payment of $200,000, which was initially due on February 14, 2005.

[c] The Company appointed a new Vice-President of Corporate Development to be stationed in Toronto.

[d] The Company appointed a new Secretary.

[e] The Company paid US$25,000 in accordance with the Option Purchase Agreement related to the Copaquire Property in Chile (Note 5[j]).

[f] Aldershot gave notice that they will not pursue its option on the Los Lomitas Joint Venture as stated in Note 5[a][i].