DEJOUR ENTERPRISES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

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DALE MATHESON
CARR-HILTON LABONTE
CHARTERED ACCOUNTANTS

Partnership of:
Vancouver: Robert J. Burkart, Inc. James F. Carr-Hilton, Ltd. Alvin F. Dale, Ltd. Peter J. Donaldson, Inc. Reginald J. LaBonte, Ltd. Robert J. Matheson, Inc.
Surrey: Peter J. Donaldson, Inc. Fraser G. Ross, Ltd.
Port Coquitlam: Wilfred A. Jacobson, Inc. Brian A. Shaw, Inc. Anthony L. Soda, Inc. Fraser G. Ross, Ltd.

AUDITORS' REPORT

To the Directors of Dejour Enterprises Ltd.

We have audited the consolidated balance sheets of Dejour Enterprises Ltd. as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for the years ended December 31, 2004, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and with standards of the Public Company Accounting Oversight Board (United States). 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 ended December 31, 2004, 2003 and 2002 in accordance with Canadian generally accepted accounting principles.

"Dale Matheson Carr-Hilton LaBonte"

CHARTERED ACCOUNTANTS

Vancouver, B.C.
February 10, 2005

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DEJOUR ENTERPRISES LTD.

CONSOLIDATED BALANCE SHEETS

(In Canadian $)	December 31, 2004	December 31, 2003
ASSETS		
CURRENT		
Cash (Note 5)	$ 1,592,838	$ 129,902
Prepaids and other	38,000	1,890
	1,630,838	131,792
RESOURCE PROPERTIES (Note 3)	2	1
	$ 1,630,840	$ 131,793
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 51,099	$ 12,844
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 5)	2,726,819	880,059
CONTRIBUTED SURPLUS (Note 6)	6,131	-
DEFICIT	(1,153,209)	(761,110)
	1,579,741	118,949
	$ 1,630,840	$ 131,793

SUBSEQUENT EVENTS (Note 10)

Approved on behalf of the Board

"Robert Hodgkinson"
Robert Hodgkinson – Director

"Doug Cannaday"
Doug Cannaday – Director

The accompanying notes are an integral part of these consolidated financial statements

DEJOUR ENTERPRISES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(In Canadian $)	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
EXPENSES			
Office and general	$ 38,850	$ 28,358	$ 25,561
Interest expense and finance fee	52,087	15,074	35,807
Investor relations	12,753	2,767	3,812
Management and consulting fees	42,733	7,500	18,000
Management and consulting fees - non-cash stock-based compensation expense	6,131	-	-
Professional fees	78,643	21,102	48,049
Property investigation costs	10,430	-	-
Regulatory and filing fees	30,991	25,568	12,362
Travel and accommodation	17,465	-	6,675
	290,083	100,369	150,266
LOSS BEFORE THE FOLLOWING	(290,083)	(100,369)	(150,266)
Loss from write-down of investment	-	-	(1)
Write-off of resource properties (Note 3)	-	(1)	(12,614)
Write-off of loan receivable	-	-	(80,000)
Impairment of oil and gas property (Note 3)	(102,016)	-	-
Gain on disposal of portfolio investments	-	-	21,763
Debt forgiveness	-	23,945	-
NET LOSS FOR THE YEAR	(392,099)	(76,425)	(221,118)
DEFICIT, BEGINNING OF YEAR	(761,110)	(684,685)	(463,567)
DEFICIT, END OF YEAR	$ (1,153,209)	$ (761,110)	(684,685)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	9,856,071	3,791,411	2,365,037
BASIC AND DILUTED LOSS PER SHARE	$ (0.04)	$ (0.02)	$ (0.09)

The accompanying notes are an integral part of these consolidated financial statements

DEJOUR ENTERPRISES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian $)	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year	$ (392,099)	$ (76,425)	$ (221,118)
Adjusted for items not involving cash:			
- amortization	-	-	971
- write-down of equity investment in iSecuritas	-	-	1
- write-down of loan receivable	-	-	80,000
- gain on disposal of portfolio investments	-	-	(21,763)
- debt forgiveness	-	(23,945)	-
- non-cash finance fee	50,000	-	-
- non-cash stock-based compensation expense	6,131	-	-
- impairment of oil and gas property	102,016	-	-
- write-off of resource properties	-	1	12,614
	(233,952)	(100,369)	(149,295)
Net changes in non-cash working capital items	2,145	7,475	46,340
Net cash flows used in operating activities	(231,807)	(92,894)	(102,955)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment	-	-	32,140
Resource properties	(102,017)	-	(12,614)
Net cash flows used in investing activities	(102,017)	-	19,526
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from private placement	1,796,760	200,000	89,910
Net cash flows provided by financing activities	1,796,760	200,000	89,910
INCREASE IN CASH AND CASH EQUIVALENTS	1,462,936	107,106	6,481
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	129,902	22,796	16,315
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,592,838	$ 129,902	$ 22,796

Supplementary Cash Flow Information – See Note 8

The accompanying notes are an integral part of these consolidated financial statements

NOTE 1- NATURE OF OPERATIONS

During 2004, the Company was reactivated to Tier 2 Issuer status on the TSX Venture Exchange ("TSX-V"). It raised $1,950,000 ($1,796,600 net of finders' fees) through a non-brokered private placement. Refer to Note 5.

The Company currently holds interests in two oil and gas properties and has not yet determined if this property contains an economical resource. The Company recorded these properties at nominal value. The Company is currently seeking new resource exploration projects of merit. Refer to Note 10.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Except as indicated in Note 11, they also comply, in all material respects, with United States generally accepted accounting principles. All amounts in these financial statements are expressed in Canadian dollars.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Dejour.com Investment Corp. incorporated in Nevada. All intercompany transactions are eliminated upon consolidation.

Resource Properties

Mineral properties:
The Company records its interests in mineral properties at the lower of cost or estimated recoverable value. Where specific exploration programs are planned and budgeted by management, the cost of mineral properties and related exploration expenditures are capitalized until the properties are placed into commercial production, sold, abandoned or determined by management to be impaired in value. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned.

The costs include the cash or other consideration and the assigned value of shares issued, if any, on the acquisition of mineral properties. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. For properties held jointly with other parties the Company only records its proportionate share of acquisition and exploration costs. The proceeds from options granted are deducted from the cost of the related property and any excess is deducted from other remaining capitalized property costs. The Company does not accrue estimated future costs of maintaining its mineral properties in good standing.

Capitalized costs as reported on the balance sheet represent costs incurred to date and may not reflect recoverable value. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the mineral interests.

Management evaluates each mineral interest on a reporting period basis or as events and changes in circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether costs are capitalized or charged to operations. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to operations in the year in which they are incurred.

The Company does not have any producing mineral properties and all of its efforts to date have been exploratory in nature.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Resource Properties (con't)

Oil and gas properties:
The Company follows the full cost method of accounting for its oil and gas operations whereby all cost related to the acquisition of petroleum and natural gas interests are capitalized. Such costs include land and lease acquisition costs, annual carrying charges of non-producing properties, geological and geophysical costs, costs of drilling and equipping productive and non-productive wells, and direct exploration salaries and related benefits. Proceeds from the disposal of oil and gas interests are recorded as a reduction of the related expenditures without recognition of a gain or loss unless the disposal would result in a change of 20 percent or more in the depletion rate.

Depletion and depreciation of the capitalized costs will be computed using the unit-of-production method based on the estimated proven reserves of oil and gas determined by independent consultants.

Estimated future removal and site restoration costs are provided over the life of proven reserves on a unit-of-production basis. Costs, which include the cost of production, equipment removal and environmental clean-up, are estimated each period by management based on current regulations, costs, technology and industry standards. The charge is included in the provision for depletion and depreciation and the actual restoration expenditures are charged to the accumulated provision accounts as incurred.

The Company applies a ceiling test to capitalized costs to ensure that such costs do not exceed estimated future net revenues from production of proven reserves at year end market prices less future production, administrative, financing, site restoration, and income tax costs plus the lower of cost or estimated net realizable value of unproved properties.

Loss per Share

The Company uses the treasury stock method for the computation and disclosure of earnings (loss) per share. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments which assumes that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate.

Basic loss per share figures have been calculated using the weighted monthly average number of shares outstanding during the respective periods. Diluted loss per share figures are equal to those of basic loss per share for each year since the effects of warrants have been excluded as they are anti-dilutive.

Foreign Currency Translation

The financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates, except for items carried at market value, which are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the year. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The significant areas requiring managements estimates relate to the carrying value of the Company's resource properties and the determination of fair value of stock-based compensation.

Financial Instruments

The Company's financial instruments consist of cash, and accounts payable and accrued liabilities. The fair value of the Company's financial instruments are estimated by management to approximate their carrying values based due to their immediate or short-term maturity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't)

Income Taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between financial statement carrying values and their corresponding tax values (temporary differences). Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in years in which temporary differences are expected to be recovered or settled. The effect on futures income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that, in the opinion of management, is more likely than not to be realized.

Stock-Based Compensation

Effective January 1, 2003 the Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook, Section 3870, *Stock-based compensation and other stock-based payments*, released in November 2003, whereby it will be expensing all stock-based compensation awards, made or altered on or after January 1, 2003, on a prospective basis. The standard requires that all new or altered stock based awards provided to employees and non-employees are measured and recognized using a fair value based method. Fair values are determined using the Black-Scholes option pricing model. Any consideration paid by employees on the exercise of the options is credited to share capital.

The Company has granted stock options to directors and employees as described in Note 6. No options were granted or outstanding during 2003 and 2002.

Flow-Through Shares

Canadian tax legislation permits an enterprise to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investor rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences. On the date that the Company renounces flow-through expenditures to the investors, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, is recorded as a recovery of income taxes in the statement of operations.

The Company has adopted this accounting policy on a prospective bases effective March 19, 2004 in accordance with CICA Handbook EIC-146.

Risk Management

The Company is engaged primarily in mineral and oil and gas exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations. The Company is not exposed to significant credit concentration or interest rate risk.

The Company's functional currency is the Canadian dollar. The Company operates in foreign jurisdictions, giving rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Comparative Figures

Certain of the comparative figures have been restated to conform to the current year's presentation.

NOTE 3 - RESOURCE PROPERTIES

	2004	2003
Mineral Properties		
Quebec	$ -	$ -
		-
Oil and Gas Properties		
Golden Prairie Prospects	1	-
Turtle Bayou, Louisiana	1	1
	$ 2	$ 1

NOTE 3 - RESOURCE PROPERTIES (con't)

In 2003, the Company wrote off the remaining balance on its Quebec mining claims as they were allowed to lapse.

By agreement dated August 15, 2001 the Company entered into an option to acquire a working interest in the Turtle Bayou #16 well in Terrebonne Parish, Louisiana, from a private company controlled by a director. The Company determined that the well was not commercially productive and wrote down its investment to a nominal carrying value in 2002, resulting in a loss of $12,614. Should the Company wish to retain its interest in the well, it will be required to fund its proportionate share of future drilling costs, which are currently not determinable.

In 2004, the Company acquired the rights to participate in an oil and gas exploration joint venture, initially targeting 9.25 sections of prospective Jurassic oil lands known as the Golden Prairie Prospect. At its option, the Company can extend the joint venture beyond the Golden Prairie Prospect to further cover a total of 288 sections of prospective oil and gas lands referred to as the Fox Project. The Company may earn a 32.5% interest by reimbursing the vendor for 32.5% of exploration expenditures previously incurred and paying 32.5% of the costs of drilling and completing each development well. The Company also entered into a farm-out agreement pursuant to which a third party can earn 10% of the 32.5% interest the Company acquires, thereby reducing the Company's interest to 22.5%.

During the year the Company incurred $119,717 of acquisition and exploration costs on this joint venture and received $51,000 from the farm-out partner of which $17,700 was for reimbursement of the Company's acquisition cost and $33,300 was on account of the parties share of expenditures incurred during the year. Included in the $119,717 was $29,250 the Company reimbursed to a private company controlled by a director for the out of pocket acquisition cost paid to an arm's length party (Note 4). The Company completed initial drilling on the Golden Prairie Prospects, determined that the well was not commercially productive and wrote down its investment to nominal carrying value which resulted in a loss on impairment of $102,016. However, at its option, the Company has earned the right to participate up to 50% in the joint-venture beyond the Golden Prairie Prospects to further cover a total of 288 sections of prospective oil and gas lands referred to as the Fox Project, if and when the operator's exploration technology proves of merit.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parites:

a) During 2004, the Company reimbursed $29,250 (2003 and 2002 – nil) to a private company controlled by a director for certain out of pocket oil and gas exploration expenditures in the Golden Prairie Prospects paid by the private company to an unrelated party.
b) The Company incurred $8,000 in accounting fees to a private company controlled by a former director of the Company (2003 - $10,500, 2002 - $6,000).
c) The Company incurred $22,500 in consulting fees to private company controlled by a director of the Company (2003 and 2002 – nil)
d) The Company incurred $nil in consulting fees to a former director and a private company controlled by this former director (2003 - $10,000, 2002 - $18,000).
e) The Company paid interest of $2,082 in cash and 200,000 shares valued at $50,000 to a company controlled by a director as consideration for a $250,000 bridge loan. Refer to Notes 4 and 6. At December 31, 2004 $6,059 owing to this company for expenses incurred on behalf of the Company is included in accounts payable.
f) The Company incurred $14,030 in consulting fees to a private company controlled by an officer of the Company (2003 and 2002 – nil).
g) At December 31, 2004 $30,000 advanced to a private company controlled by a director for costs to be incurred on behalf of the Company is included in prepaids and other.
h) Subsequent to the year-end, the Company reimbursed $155,504 to a private company controlled by a director for certain out of pocket uranium exploration expenditures paid by the private company to an unrelated party.

NOTE 5 - SHARE CAPITAL

Authorized:
Unlimited common shares
Unlimited first preferred shares, issuable in series
Unlimited second preferred shares, issuable in series

	Shares	Value
Common shares issued:		
Balance at December 31, 2001	5,615,111	57,067
Common shares issued during 2002:		
- for cash by private placement at $0.0675	1,480,000	99,900
Balance at December 31, 2002	7,095,111	156,967
Share consolidation 1:3	(4,730,074)	-
	2,365,037	156,967
Common shares issued during 2003:		
- for cash by private placement at $0.10	2,000,000	200,000
- shares for debt at $0.10	5,230,925	523,092
Balance at December 31, 2003	9,595,962	880,059
Common shares issued during 2004:		
- for cash by private placement	6,000,000	1,796,760
- for bridge loan financing fee	200,000	50,000
Balance at December 31, 2004	15,795,962	$ 2,726,819

On June 6, 2003 shareholders approved a resolution to complete a 1:3 share consolidation which was effected on October 1, 2003. The consolidation reduced the number of outstanding common shares from 7,095,111 to 2,365,037 shares.

In October 2003, the Company completed a non-brokered private placement of 2,000,000 common shares at $0.10 per share for total proceeds of $200,000. Additionally, the Company settled $523,092 in debt via the issuance of 5,230,925 common shares.

In December 2004, the Company issued 3,000,000 flow-through common shares at $0.35 per share, and 3,000,000 common share units at $0.30 per unit. Each common share unit consisted of one common share and one half of a flow-through share purchase warrant, exercisable at $0.45 per share by December 31, 2005. As at December 31, 2004, 1,500,000 share purchase warrants were outstanding. Proceeds from the exercises of flow-through warrants can only be spent on Canadian Exploration Expenditures ("CEE"), as defined in the Canadian Income Tax Act. Net proceeds from the issuance of flow-through common shares were $966,000, after a finder's fee of $84,000. Net proceeds from the issuance of common shares units were $830,760, after a finder's fee of $69,240.

Under the flow-through share agreement, the Company will renounce by December 31, 2005 $1,050,000 of CEE. The proceeds from the issuance of flow-through shares can only be spent on CEE. As of December 31, 2004, the Company spent approximately $108,000 in CEE. Therefore, approximately $942,000 of cash was not available for general administrative purposes.

During 2004, the Company issued 200,000 common shares, valued at $0.25 per shares to a company controlled by a director as part of the considerations for a $250,000 bridge loan. Refer to Note 4.

NOTE 6 – STOCK OPTIONS AND WARRANTS

In November 2004, the Company granted a total of 950,000 options to its insiders, consultants and advisors. All options vest on a quarterly basis over three years. The vested options can be exercised to October 31, 2009 to purchase common shares of the Company at $0.275 per share. The granting of these options will result in a stock based compensation expense of $181,600 being recorded over the vesting period representing the fair value of the options. In accordance with the new accounting recommendations effective January 1, 2003, the Company is required to expense the fair value of all stock options granted. The Company determined the fair value of stock options granted during the year using the Black-Scholes option pricing model assuming an expected option life of five years, a risk-free interest rate of 3.0% and an expected volatility of 87%.

The following table summarizes information about stock option transactions:

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2003 and 2002	-	-	
Options granted	950,000	$0.275	
Options exercised	-	-	
Options cancelled and expired	-	-	
Balance, December 31, 2004	950,000	$0.275	4.98 years

As at December 31, 2004, 32,100 options were vested resulting in a stock-based compensation expense of $6,131 which has been recorded as contributed surplus.

The following table summarizes information about warrants:

	Outstanding Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2003 and 2002	-	-	
Warrants granted	1,500,000	$0.45	
Warrants exercised	-	-	
Warrants cancelled and expired	-	-	
Balance, December 31, 2004	1,500,000	$0.45	1.00 years

NOTE 7 – INCOME TAXES

The Company has certain deductions and loss carry-forwards which may be available for income tax purposes to reduce future years' taxable income. Due to the uncertainty of realization of these loss carryforwards, the benefit is not reflected in the financial statements as the Company has provided a full valuation allowance for the potential future tax assets resulting from these loss carryforwards.

a) As at December 31, 2004 the Company has Canadian and foreign acquisition, exploration and development expenses amounting to approximately $3,032,000 which, if available, may be used indefinitely to offset future taxable income.

b) As at December 31, 2004 the Company has non-capital losses carried forward of approximately $2,762,000 which if available may be used to reduce future taxable income and which expire commencing in 2005.

c) As at December 31, 2004 the Company has capital losses of $6,258,000 which maybe available indefinitely to offset future capital gains.

NOTE 8 – SUPPLEMENTARY CASH FLOW INFORMATION

	2004	2003	2002
Supplemental information relating to non-cash financing activities	$	$	$
Bonus shares issued for bridge loan financing fee	50,000	-	-
Conversion of notes payable to common shares	-	380,000	-
Conversion of accounts payable to common shares	-	143,092	-
Interest paid during the year	2,082	-	-
Taxes paid during the year	-	-	-

NOTE 9 – LEGAL SETTLEMENT

During 1999 a legal action was commenced against the Company alleging breach of contract. The plaintiff alleged the Company failed to allow the plaintiff to participate in a private placement financing made by the Company in or about March 1999. The plaintiff was seeking $1,000,000 in damages claiming a lost opportunity to benefit from an increase in the Company's share price after the private placement. The Company filed a defence denying liability. In September 2004, the court dismissed the case and the lawsuit was settled in the Company's favour. The plaintiff paid the Company $12,000 for costs.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent to the year-end, the Company issued 1,650,000 common shares at $0.50 per share and raised $825,000 through two private placements. The Company paid finders' fees of $37,125 in cash and 250,000 in share purchase warrants, exercisable at $0.65 per share before September 30, 2005.

On February 18, 2005, the Company announced it entered into an agreement with Pacific International Securities Ltd., as lead agent (the "Agent"), for a private placement of up to 6 million units, at $0.65 cents per unit for gross proceeds of up to $3.9 million (the "Offering"). In addition the Company has agreed to grant an over allotment option to the Agent to issue up to an additional 2 million units for additional proceeds of up to $1.3 million. Each unit shall consist of one common share and one half of one common share purchase warrant (each whole share purchase warrant, a "Warrant"). Each Warrant shall be exercisable into one additional common share of the Company at an exercise price of $0.80 per common share for a period of two years following closing.

The Company will pay the Agent a commission of 7.0% of the gross proceeds raised, either in units, or in cash from the gross proceeds of the Offering upon closing. The same commission shall be paid to the Agent in connection with any units issued or sold pursuant to the exercise of the over allotment option.

At the closing of the Offering, the Agent will be granted compensation options equal in number to 10.0% of the number of units sold under the Offering including any units sold pursuant to the over allotment option which will entitle the Agent to purchase, at an exercise price to $0.70, one common share and one half of one non-transferable common share purchase warrant. The compensation options may be exercised at any time and from time to time for a period of two years following the date of closing. Each whole warrant will be exercisable into one common share for a period of two years following the Closing Date at an exercise price of $0.85.

Use of funds will primarily be for further development of the Company's uranium properties, exploration programs for properties in Saskatchewan's Athabasca Basin and for working capital purposes.

Subsequent to the year-end, the Company engaged contractors to acquire claims and permits in Saskatchewan Athabasca Basin for uranium exploration. Total spent on acquisitions and exploration expenses, including deposits advanced were $448,005.

In February 2005, the Company granted, subject to TSX-V approval, 569,162 options to its insiders and consultants. All options vest on a quarterly basis over three years. The vested options can be exercised to February 8, 2008 to purchase common shares of the Company at $0.55 per share.

11. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("US GAAP")

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). A description of US GAAP and practices prescribed by the US Securities and Exchange Commission ("SEC") that result in material measurement differences from Canadian GAAP are as follows:

(a) Interest in unproven mineral properties

US GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company is to estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. SEC staff has indicated that their interpretation of US GAAP requires mineral property acquisition, exploration and land use costs to be expensed as incurred until commercially minable deposits are determined to exist within a particular property. Accordingly, for all periods presented, the Company has expensed all mineral property acquisition, exploration and land use costs for US GAAP purposes. For Canadian GAAP, cash flows relating to mineral property costs are reported as investing activities. For US GAAP, these costs would be characterized as operating activities.

(b) Stock-based compensation

The Financial Accounting Standards Board ("FASB") in the US issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). The statement encourages entities to adopt a fair value methodology of accounting for employee stock-based compensation.

Under US GAAP stock options granted to non-employees for services rendered to the Company are required to be accounted for as compensation cost and charged to operations as the services are performed and the options are earned. The compensation cost is to be measured based on the fair value of the stock options granted. This method is similar to the Canadian standard adopted as of January 1, 2003. The stock-based compensation expense in respect of stock options granted to non-employees, under US GAAP, based upon the fair value of the options granted, determined using the Black Scholes option pricing model, would be $nil cumulatively from the date of adoption of SFAS 123 to December 31, 2002.

In December 2004, the FASB issued SFAS No.123R (revised 2004), "Share-Based Payment." SFAS No. 123(R) will provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS No. 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS No. 123(R) replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." Public entities will be required to apply SFAS No. 123(R) as of the first interim or annual reporting period that begins after June 15, 2005 or December 15, 2005 for small business issuers.

The Company anticipates that upon adoption of SFAS No.123(R) there will be no material difference between stock compensation as determined under US GAAP versus that determined under Canadian GAAP.

11. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("US GAAP") (con't)

To December 31, 2004, the Company only granted stock options to consultants and did not grant any stock options to employees.

(c) Income taxes

Under US GAAP, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Under Canadian GAAP, the effect of a change in tax rates is recognized in the period of substantive enactment. The application of this difference under US GAAP does not result in a material difference between future income taxes as recorded under Canadian GAAP.

(d) Reporting comprehensive income

Statement of Financial Accounting Standards No. 130 ("SFAS 130") *"Reporting Comprehensive Income",* establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income equals net income (loss) for the year as adjusted for all other non-owner changes in shareholders' equity. SFAS 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement. For the years ended December 31, 2004, 2003 and 2002, comprehensive loss equals the loss for the year.

(e) Exploration stage company

Pursuant to US GAAP, the Company would be considered a exploration stage company as the Company is devoting its efforts to establishing commercially viable mineral properties. However, the identification of the Company as such for accounting purposes does not impact the measurement principles applied to these consolidated financial statements.

(f) Statements of cash flows

The Company has included a subtotal in cash flows from operating activities. Under US GAAP, no such subtotal would be disclosed.

Recent accounting pronouncements

(g) In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 104, "Revenue Recognition" (SAB 104), which supersedes SAB 101, "Revenue Recognition in Financial Statements." The primary purpose of SAB 104 is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, which was superseded as a result of the issuance of EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. The adoption of SAB 104 did not have a material impact on the Company's financial position or results of operations.

11. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("US GAAP") (con't)

(h) In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletins ("ARB") No. 51, Consolidated Financial Statements ("FIN 46"). FIN 46 applies immediately to variable interest entitles created after January 31, 2003, and in the first interim period beginning after June 15, 2003 for variable interest entities created prior to January 31, 2003. The interpretation explains how to identify variable interest entities and how an enterprise assesses its interest in a variable interest entity to decide whether to consolidate that entity. The interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Variable interest entities that effectively disperse risks will not be consolidated unless a single party holds an interest or combination of interests that effectively recombines risks that were previously dispersed. The adoption of FIN 46 did not have a material effect on the Company's financial position or results of operations. In December 2003, the FASB issued FASB Interpretations No. 46 (Revised December 2003) Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 ("FIN 46R"). FIN 46R is an update of FIN 46 and contains different implementation dates based on the types of entities subject to the standard and based on whether a company has adopted FIN 46. The adoption of FIN 46R did not have a material impact on the Company's financial position or results of operations.

(i) In December 2004, the FASB issued SFAS No.123R (revised 2004), "Share-Based Payment." SFAS No. 123(R). See the discussion of its implications above.

(j) Reconciliation:

The effect of the differences between Canadian GAAP and US GAAP (including practices prescribed by the SEC) on the balance sheets, statements of operations and cash flows are summarized as follows:

(i) Assets

	December 31, 2004	December 31, 2003
Total assets, under Canadian GAAP	$ 1,630,840	$ 131,793
Total assets, under US GAAP	$ 1,630,840	$ 131,793

11. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("US GAAP") (con't)

(ii) Deficit

	December 31, 2004	December 31, 2003
Deficit, under Canadian GAAP	$ (1,153,209)	$ (761,110)
Deficit, under US GAAP	$ (1,153,209)	$ (761,110)

(iv) Net loss for the year

	Years ended December 31,		
	2004	2003	2002
Net loss for the year, under Canadian GAAP	$ (392,099)	$ (76,425)	$ (221,118)
Net loss for the year, under US GAAP	$ (392,099)	$ (76,425)	$ (221,118)

(v) Cash used in operating activities

	Years ended December 31,		
	2004	2003	2002
Cash used in operating activities, under Canadian GAAP	$ (231,807)	$ (92,894)	$ (102,955)
Interest in unproven resource properties	(102,017)	–	(12,614)
Cash used in operating activities, under US GAAP	$ (333,824)	$ (92,894)	$ (115,569)

(vi) Cash used in investing activities

	Years ended December 31,		
	2004	2003	2002
Cash used in investing activities, under Canadian GAAP	$ (102,017)	$ –	$ 19,526
Interest in unproven mineral properties	102,017	–	12,614
Cash used in investing activities, under US GAAP	$ –	$ –	$ 32,139