

ARGOSY MINERALS INC.

ARBN 073 391 189

**HALF YEAR REPORT FOR THE PERIOD
ended June 30, 2004**

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These notes are an integral part of the consolidated financial statements and should be read in conjunction with them

The directors present their report on the consolidated half year report of Argosy Minerals Inc. (the "Corporation") and all the entities controlled by it at the end of or during the half year ended June 30, 2004.

Directors

The following persons were directors of the Corporation during the whole of the half year and up to the date of this Report:

- P.H. Lloyd
- C. R. Bond
- J. Nicholls
- J. Maloney

Marcus N. Foster was appointed a director on April 2, 2004 and continues in office at the date of this report.

Review of Operations:

A summary of the consolidated results is set out below:

	2004 (\$000)	2003 (\$000)
Income:		
Interest	168	198
Gain on disposal of Mineral Property	-	126
Foreign Exchange Gains / (Loss)	(239)	159
	(71)	483
Expenses:		
Administration Expenses	488	447
Arbitration Expenses	132	317
Legal	47	28
Management and Consulting fees	566	209
Project Assessment	479	699
Travel	87	150
Write Down of Marketable Securities	-	100
Write off of Mineral Properties and Deferred Costs	-	20
	1,799	1,970
Loss for the Period	(1,870)	(1,487)

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

Comments on the consolidated results are set out below:

a) Interest and Foreign exchange gains / (loss).

Interest income declined during the current period due to declining average cash balances. As the Corporation has no current source of revenue, cash balances will be used to fund operations and continue to decline. Foreign exchange losses arose from a decline in the exchange rate between Australian and Canadian dollars to a low of A\$1.00 equaling C\$0.93 from approximately A\$1.00 equaling C\$0.97 in December, 2003.

b) Gain on disposal of Mineral Property.

The gain on disposal of Mineral Property in 2003 arose from the sale of the Kremnica Gold Project in 2003. No mineral properties have been sold during 2004.

c) Administrative Expenses

Administrative expenses have remained consistent with the prior year as the Corporation has maintained its level of activity.

d) Arbitration Expenses

Arbitration expenses of \$131,926 in 2004 and \$316,732 in 2003 relate to costs associated with the arbitration proceedings referred to in note 10 to the Consolidated Financial Statements.

e) Management and Consulting Fees

Management and consulting fees paid to directors of the Corporation are fixed in Australian dollars and have remained constant from November 2001. The management agreement with Peninsular Services Pty Ltd. was terminated in February 2004 and a termination payment of \$441,844 was paid. Subsequent to February no management fees were paid to Peninsular Services.

f) Project Assessment

The Corporation has been involved in the assessment of 2 projects during the period to June 30, 2004, being the Albetros Diamond Project in South Africa and the Nevada Gold Project in Nevada, US.

For details of expenditure see note 4(e) to the Consolidated Financial Statements.

g) Travel

Due to the location of projects the Corporation is involved in assessing, substantial amounts of travel are required. Travel costs have declined between the periods ended June 30, 2004 and 2003 due to the substantial travel costs associated with evaluating the Beregove Gold Project in Ukraine not being incurred in 2004.

h) Write Down of Marketable Securities

As part of the proposed sale of the Kremnica Gold Property to Eurogold Limited's Subsidiary, Explorer in 2002, the Corporation acquired a small stake in Eurogold Limited. The value of the securities had declined in 2003 giving rise to the need for an impairment write down.

i) Write off of Mineral Property and Deferred Costs.

The Corporation's Burundi Nickel Project continued under force majeure due to political instability in the country; consequently the costs associated with maintaining the project in 2003 were written off. No expenditure was incurred on the project during the period ended June 30, 2004.

Report of Independent Accountants

Review Engagement Report to the Shareholders of Argosy Minerals Inc.:

We have reviewed the consolidated balance sheet of Argosy Minerals Inc. as at June 30, 2004 and the consolidated statements of operations and deficit and cash flows for the six months then ended. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by Argosy Minerals Inc.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.



Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

“PricewaterhouseCoopers LLP”

Chartered Accountants

Vancouver, B.C.
July 30, 2004

ARGOSY MINERALS INC.
(An Exploration Stage Corporation)
CONSOLIDATED BALANCE SHEETS
(Unaudited)
As at June 30, 2004 and December 31, 2003
(Expressed in Canadian Dollars)

	June 30, 2004	Dec. 31, 2003
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,208,787	\$ 8,058,383
Accounts receivable and prepaids	74,165	163,555
	<u>6,282,952</u>	<u>8,221,938</u>
Property Plant and Equipment	34,975	39,413
	<u>\$ 6,317,927</u>	<u>\$ 8,261,351</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 377,720	\$ 451,173
SHAREHOLDERS' EQUITY		
Capital Stock	<i>Note 5</i>	
Authorised - unlimited		
Issued - 95,969,105 common shares (2003: 95,969,105)	44,075,384	44,075,384
Deficit	(38,135,177)	(36,265,206)
	<u>5,940,207</u>	<u>7,810,178</u>
	<u>\$ 6,317,927</u>	<u>\$ 8,261,351</u>
Contingency	<i>Note 10</i>	
APPROVED BY THE DIRECTORS		
		
_____ John Nicholls, Director	_____ Cecil R. Bond, Director	

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

ARGOSY MINERALS INC

(An Exploration Stage Corporation)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited)

For the Six Months ended June 30, 2004 and 2003

	Six Months ended June 30	
	2004	2003
Income:		
Interest income and other	\$ 168,303	\$ 197,769
Gain on disposal of mineral property	-	125,500
Foreign exchange gain / (loss)	(238,794)	159,089
	\$ (70,491)	\$ 482,358
Expenses:		
Accounting and audit	48,408	53,677
Arbitration Expenses	131,926	316,732
Bank charges	2,850	5,060
Depreciation	7,105	7,807
Directors' fees	39,249	31,250
Insurance	41,760	37,858
Legal	47,156	28,696
Management and consulting fees	566,410	208,566
Office	15,228	15,978
Project assessment	479,121	699,432
Rent	31,744	30,838
Salaries and benefits	226,048	197,370
Shareholder communications	34,330	30,814
Telecommunications	7,506	11,627
Transfer agent and stock exchange	34,025	23,122
Travel	86,614	150,278
Write down of Marketable Securities	-	100,203
Write off of Mineral Properties and Deferred Costs	-	19,783
	\$ 1,799,480	\$ 1,969,091
Loss for the period	\$ (1,869,971)	\$ (1,486,733)
Deficit, beginning of period	\$ (36,265,206)	\$ (33,772,073)
Deficit, end of period	\$ (38,135,177)	\$ (35,258,806)
Basic & Diluted Loss per		
Common Share	(\$0.02)	(\$0.02)
Weighted Average Number of		
Common Shares Outstanding	95,969,105	95,969,105

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

ARGOSY MINERALS INC

(An Exploration Stage Corporation)

CONSOLIDATED CASH FLOW STATEMENTS

(Unaudited)

For the Six Months ended June 30, 2004 and 2003

Cash Provided From (Used For):	Six months ended June 30	
	2004	2003
Operating Activities		
Loss for the period	\$ (1,869,971)	\$ (1,486,733)
Adjustments for:		
Depreciation	7,105	7,807
Foreign exchange gain / (loss)	256,145	(159,938)
Write down of marketable securities	-	100,203
Write off of mineral properties and deferred costs	-	19,783
Profit on disposal of mineral property	-	(125,500)
	<u>(1,606,721)</u>	<u>(1,644,378)</u>
Changes in Non-cash working capital		
(Increase) / decrease in accounts receivable & prepaids	89,390	(101,367)
Increase / (decrease) in accounts payable & accrued liabilities	(73,453)	28,679
	<u>(1,590,784)</u>	<u>(1,717,066)</u>
Investing Activities		
Purchase of capital assets	(2,667)	(11,371)
Mineral properties and deferred costs	-	(53,771)
Sale of marketable securities	-	55,524
Restricted cash	-	157,960
	<u>(2,667)</u>	<u>148,342</u>
Foreign Exchange Gain / (Loss) on Cash held in Foreign Currency	(256,145)	159,938
Decrease in Cash & Cash Equivalents	(1,849,596)	(1,408,786)
Cash & Cash Equivalents at Beginning of Period	8,058,383	9,780,175
Cash & Cash Equivalents at End of Period	\$ 6,208,787	\$ 8,371,389

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

ARGOSY

M I N E R A L S I N C

ARBN 073 391 189

1. Basis of Preparation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of their application as the most recent annual financial statements of the Corporation dated December 31, 2003 and should be read in conjunction with those statements.

2. Nature of Operations

The Corporation is in the process of investigating possible property acquisitions and continues to evaluate the Albetros Diamond Project in South Africa and the Nevada Gold Project in Nevada, USA. See Notes 4(c) and 4(d).

In addition the Corporation continues to evaluate the acquisition of new diamond, gold and platinum projects. The Corporation was involved in studies for the development of a nickel/cobalt processing facility at Musongati in the Republic of Burundi and in gold exploration in the Slovak Republic. In August 2002 the Corporation's subsidiary, Andover Resources N.L., declared force majeure and curtailed its activities in Burundi as a result of the deterioration of the security situation in Burundi. See Note 4(a).

On August 5, 2002, the Corporation received a notice of termination from NN Invest Holdings SA ("NNIH"), a subsidiary of Norilsk Mining Company ("Norilsk") terminating the Tripartite Agreement (the "Agreement") between NNIH, Societe des Mines de la Tontouta ("SMT") and the Corporation for the development of the New Caledonia Nickel Project. See Note 4(b). On September 13, 2002, the Corporation and its subsidiary Balzan received a request for arbitration by NNIH from the International Court of Arbitration of the International Chamber of Commerce ("IC"). The request for arbitration seeks to recover US\$7,166,000 paid to Balzan plus an additional US\$1,368,222 expended on the project. See Note 10.

As yet, it has not been determined if the Corporation's mineral properties contain ore reserves that are economically recoverable and whether the processing facilities are economically viable. The recoverability of any amounts shown for mineral properties and deferred costs is dependent on the existence of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or proceeds from disposition of the mineral properties. The amounts shown as mineral properties and deferred costs represent costs to date, less amounts recovered or written off, and do not necessarily represent

These notes are an integral part of the consolidated financial statements and should be read in conjunction with them

present or future values.

3. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries:

<u>Company Name</u>	<u>Country</u>
Argosy Mining Corp. ("Argosy")	Canada
Andover Resources N.L. ("Andover")	Australia
Balzan Investments Limited ("Balzan")	BVI
Argosy Mining Corporation Pty Ltd.	RSA

Financial Statement Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the period. Significant areas where management's judgement is applied are mineral property valuations and contingent liabilities. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term deposits maturing within 90 days of the original date of acquisition. In order to limit its exposure, the Corporation deposits its funds with major Canadian, Australian and UK banks. A substantial portion of the cash balances are held in Australian and U.S. dollars; accordingly, the Corporation has exposure to fluctuations in currency exchange rates.

Marketable Securities

Marketable securities are carried at the lower of cost and quoted market value and consist of shares in a public company quoted on the Australian Stock Exchange.

Property, Plant & Equipment

Depreciation is provided on property, plant & equipment using the straight line method over the estimated useful lives of the assets.

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Project Assessment

Project assessment costs consist of expenditures to evaluate new projects. These expenditures are charged to income when incurred. Once the Corporation decides to acquire a property, costs associated with further exploration or development are accounted for as described under Mineral Properties and Deferred Costs below.

Mineral Properties and Deferred Costs

The costs of evaluating new projects are expensed as incurred until a decision is made to acquire the property. The costs of acquiring mineral properties, and related exploration and development costs, are deferred until the property to which they relate is placed into production, sold or abandoned. Deferred costs will be amortized over the estimated useful life of the ore body following commencement of production, or written off if the property is sold or abandoned.

The Corporation will reduce the carrying value of mineral properties and deferred costs by any amount received from the introduction of a joint venture partner.

Management's estimate of carrying values is subject to risks and uncertainties affecting the recoverability of the Corporation's investment in mineral properties. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur in the near term which could adversely affect management's estimate of the recoverability of mineral properties and deferred costs and the need for asset impairment write-downs.

Although the Corporation has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Corporation's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

Options

Mineral property option payments are made at the discretion of the Corporation and, accordingly, are accounted for when paid.

Stock Based Compensation

The Corporation prospectively adopted the amended requirements of CICA 3870, Accounting for Stock Based Compensation and Other Stock Based Payments, in the year ended December 31, 2003. These amendments require an expense to be recognized in financial statements for all forms of employee stock-based compensation, including stock options. No compensation expense was recognised in 2004 to date and in 2003 because no stock options were granted or vested in those periods. Any consideration paid by employees on the exercise of stock options is credited to capital stock.

Loss per Common Share

Loss per common share is calculated using the weighted average number of common shares issued and outstanding during each year. Basic and diluted loss per share are the same as the effect of

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potential issues of shares under share option arrangements would be anti-dilutive.

Foreign Currency Translation

The Corporation's foreign subsidiaries are integrated foreign operations. Currency translations into Canadian dollars are made as follows:

- (i) monetary assets and liabilities at the rates of exchange prevailing at the balance sheet date;
- (ii) non-monetary items at rates prevailing when they are acquired;
- (iii) deferred costs and administration costs at average rates for the period.

Gains and losses arising on currency translation are included in the statement of operations.

Financial Instruments

The fair value of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts.

Arbitration

Expenditures related to arbitration are expensed as and when incurred.

Income taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. See Note 7.

4. Projects

(a) Burundi Nickel Project

During 1998, Andover entered into a Protocol agreement with the Republic of Burundi acquiring the exclusive rights to the Musongati nickel project. On February 11, 1999, a Mining Convention setting out Andover's rights and obligations for the completion of a feasibility study on the Musongati nickel project was ratified by the Burundian Parliament. The Mining Convention requires that Andover complete a feasibility study for the development of a nickel/cobalt processing facility by the end of 2001 or such later date as may be determined by extensions granted by the Minister of Mines. On April 19, 2000, Andover declared force majeure and curtailed its activities in Burundi as a result of the deterioration in security in the region. Pursuant to the terms of the Mining Convention the declaration of force majeure may be in place for up to two years during which time Andover's obligations are interrupted and the completion of the feasibility study delayed by the period of force majeure.

On March 28, 2002 the Corporation announced the withdrawal of the declaration of force majeure and plans to resume its exploration activities, however security deteriorated ahead of the

implementation of an agreed cease-fire between various political parties and the Corporation re-imposed the declaration of force majeure in August 2002.

At December 31, 2002, the Corporation wrote off its investment in the project of \$7,973,049, to recognize the reduction in value due to the ongoing political instability in the country and the failure of nickel laterite projects around the world. Expenditures of \$19,783 incurred to maintain the project during the 6 month period ended June 30, 2003 were written off.

(b) New Caledonia Nickel Project - Joint Venture Arrangement

On July 25, 2001, the Corporation announced JSC "MMC Norilsk Nickel" had taken the decision to proceed with the Nakety/Bogota Project in New Caledonia by completing a feasibility study leading to the joint development with Argosy and SMT of the project. The Agreement between NNIH, SMT and the Corporation's subsidiary Balzan was signed on October 16, 2001. Under the terms of the Agreement, NNIH reimbursed the Corporation 45% of its costs incurred to date, or US\$7,166,000 (C\$11,307,948) which was applied to reduce the carrying value of the project. Thereafter, NNIH had the ability to earn a 45% stake in the project by completing a feasibility study to international standards over two years.

On August 5, 2002, the Corporation received a termination notice from NNIH terminating its involvement in the project. The notice effectively terminated the Agreement and the Corporation wrote off its remaining investment of \$2,539,625 in the project. In addition, NNIH issued a request for arbitration through the IC to recover the funds reimbursed to the Corporation of US\$7,166,000 plus amounts expended on the project amounting to US\$1,368,222.

The Corporation is defending the claim for arbitration, which it believes to be wholly without merit. See Note 10.

(c) Albetros Project

The Albetros Project is an alluvial diamond project situated on the west coast of South Africa near Kleinsee. The Corporation holds its interest in the Albetros Project through an option to purchase up to 85% of the shares of Albetros Inland Diamond Exploration Pty Ltd ("Albetros") the owner of the Project.

An application for a new prospecting permit was lodged in January 2004, however with the new Minerals and Energy Act in South Africa coming into force in May 2004, processing of applications has been delayed. The previous permit expired in March 2004, consequently no work can be conducted on the project at this time. In addition, recent announcements regarding Black Economic Entity ("BEE") participation in new prospecting permits over state owned minerals have indicated a requirement for increased BEE participation of 51% from previous requirements of an initial 15% interest rising to a required 26% interest over a number of years. The Corporation is currently evaluating the impact of these new requirements.

Pursuant to the agreement with the shareholders of Albetros, the Corporation has until August 31, 2004 to fully evaluate the project area prior to making a decision to acquire Albetros, however the Corporation is not making option payments to the shareholders of Albetros until such time as the prospecting licence is renewed. In addition, the Corporation has advised the shareholders of Albetros that the option period must be extended by the period for which no licence is available.

The Option Agreement provides for:

- a) an option exercise date of August 31, 2004. *
- b) monthly option fees totalling R4,050,000 (\$799,000) payable as follows:
 - 2003 – R2,400,000 (\$469,000) – paid.
 - 2004 – R1,650,000 (\$330,000) – of which R550,000 has been paid, and
- c) a purchase price of R17,000,000 (\$3,400,000) less all option fees paid at the date of exercise of the option. Should the Corporation exercise its option to acquire Albetros the purchase price of R17,000,000 less option fees totalling R4,050,000 (R2,950,000 has been paid to date) will be paid in two payments as follows:
 - R7,000,000 (\$1,400,000) on August 31, 2004. *
 - R5,950,000 (\$1,190,000) on December 1, 2004. *These payment dates will be delayed by the period for which no prospecting permit has been available.

* The Corporation has advised Albetros and the shareholders of Albetros that these dates must be delayed by the period for which Albetros does not have a prospecting licence.

The Corporation can withdraw from the agreement to acquire Albetros at any time.

The Corporation has agreed to sell a 5.5% interest in Albetros to Umnotho weSizwe Diamond Company Pty Ltd. (“Umnotho”), its Black Economic Empowerment partner in South Africa, for a cash consideration of R1,100,000 (\$220,000), which would result in the Corporation retaining a 79.5% interest in Albetros should the Corporation exercise its option to acquire Albetros. In addition, Umnotho will refund the Corporation a pro rata portion of expenditure incurred on assessing the Albetros Diamond Project.

In January 2004, the owners of Albetros transferred 14% of the shares of Albetros to the Corporation for options fees paid to that time of R2,700,000 (\$538,000).

(d) Nevada Gold Project

The Nevada Gold Project is situated within the southern boundary area of the Humboldt – Toiyabe National Forest, in Northern Elko County, Nevada and comprises 64 unpatented lode mining claims and 2 unpatented claims covering water rights.

The Corporation holds the Nevada Gold Project under 2 option agreements. The option agreement over the Gold Creek property covers 31 unpatented mining claims and 2 claims covering water rights. The agreement is for 3 years and has an annual option payment of US\$20,000 and a purchase

price of US\$1,250,000 for 100% of the claims. During May 2004 the Corporation entered into an option agreement over the adjoining 33 unpatented claims. The agreement is for 3 years and has an annual option payment of US\$20,000 and a purchase price of US\$1,500,000 for 100% of the claims.

These notes are an integral part of the consolidated financial statements and should be read in conjunction with them

(e) Project Assessment Expenditures

Details of Project Assessment Expenditures during the period ended June 30, 2004 is as follows:

<u>Albetros Diamond Project</u>		
Geological Consulting and Supervision	\$ 35,652	
Drilling, Gravel Processing and Sorting	107,886	
Travel and Accommodation	55,549	
Project Option Fees	118,806	
Rehabilitation	<u>31,167</u>	
		\$349,060
<u>Nevada Gold Project</u>		
Geological and other Consulting	\$ 36,209	
Project Option Fees	55,232	
Travel and Accommodation	24,444	
Sampling and Assessment	<u>8,100</u>	
		\$123,985
<u>Other</u>		
Geological and	\$ (30,493)	
Travel, and Accommodation other Consulting	<u>36,569</u>	
		\$ 6,076
		<u><u>\$479,121</u></u>

5. Capital Stock

(a) Authorised Capital Stock

The Corporation is authorised to issue an unlimited number of common shares without par value.

Issued

	Number of Shares	Amount
Total issued - June 30, 2004 and December 31, 2003	<u>95,969,105</u>	<u>\$ 44,075,384</u>

(b) Stock Options

The Corporation grants stock options to employees as determined by the Corporation's Board of Directors. Stock options granted to the directors of the Corporation are granted subject to approval of the Corporation's shareholders.

The status of stock options granted to employees and directors as at June 30, 2004 and December 31, 2003 and the changes during the period ended on those dates is presented below:

These notes are an integral part of the consolidated financial statements and should be read in conjunction with them

	30 June 2004		December 31, 2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding - Beginning of Year	3,075,000	\$ 0.34	4,790,000	\$ 0.44
Cancelled/Expired	-	\$ -	(1,715,000)	\$ 0.68
Options outstanding - End of Period	3,075,000	\$ 0.34	3,075,000	\$ 0.34

All options outstanding at June 30, 2004 have an exercise price of \$0.34. The weighted average remaining contractual life of these options is 1.8 years.

(c) Escrow Shares

At June 30, 2004 a total of 905,032 common shares of the Corporation were subject to escrow and are eligible for release in March 2005.

6. *Related Party Transactions*

Management fees	\$ 555,236
Provision of staff and office facilities	75,113
Directors' fees	39,250
Accounting	13,576
	\$ 683,175

During the 6 Months ended June 30, 2004, \$ 683,175 (2003: \$239,519) was paid to five Directors of the Corporation or its subsidiaries, or to companies controlled by them, for Director's fees, management consulting services and project management and assessment services. Of this amount, the Corporation expensed \$683,175 (2003: \$ 239,519) and capitalized \$ NIL to deferred costs. The expenditure of \$683,175 included a termination payment of \$441,844 paid to Peninsular Services Pty Ltd, a company controlled by a director, on the termination of Peninsular's management contract.

In addition \$75,113 (2003: \$ 181,308) was paid to 2 companies, each controlled by a director of the Corporation for the provision of office facilities and personnel in Australia and in Canada. These services are provided at cost. Subsequent to February 2004, personnel in Australia are employed directly by the Corporation.

At June 30, 2004 directors fees and management and consulting expenses payable amounted to \$56,796 (2003: \$ 89,890) and are included in accounts payable and accrued liabilities.

7. *Income Taxes*

A potential future income tax asset of approximately \$2,873,000 arises from the following loss carry forwards:

These notes are an integral part of the consolidated financial statements and should be read in conjunction with them

Non capital loss carry forwards	\$	6,815,000
Other deductible tax pools		1,252,000
	\$	<u>8,067,000</u>

The non-capital loss carry forwards can be offset against income for Canadian purposes in future years and expire as follows:

2005	107,000
2006	888,000
2007	1,576,000
2008	-
2009	1,506,000
2010	1,503,000
2011	1,235,000
Total	<u>\$ 6,815,000</u>

The Corporation has reduced the value of the potential future income tax asset to \$Nil through the application of a valuation allowance of \$2,873,000 as the Corporation does not have any current source of income to which the tax losses can be applied.

The Corporation's statutory tax rate of 35.62% (2003 – 35.62%) has been reduced to an effective rate of nil% (2003 – nil%) due to losses for which no tax benefit has been recognized.

8. *Segmented Information*

June 30, 2004	Canada	Australia	UK	Total
Current Assets	\$ 348,498	\$ 46,958	\$ 5,887,496	\$ 6,282,952
Property, Plant & Equipment	6,093	28,882	-	34,975
	<u>\$ 354,591</u>	<u>\$ 75,840</u>	<u>\$ 5,887,496</u>	<u>\$ 6,317,927</u>
December 31, 2003	Canada	Australia	UK	Total
Current Assets	\$ 291,931	\$ 576,046	\$ 7,353,961	\$ 8,221,938
Property, Plant & Equipment	7,209	32,204	-	39,413
	<u>\$ 299,140</u>	<u>\$ 608,250</u>	<u>\$ 7,353,961</u>	<u>\$ 8,261,351</u>

The Corporation's sole operating segment is the exploration for mineral resources.

9. *Commitments*

The Corporation has entered into leases, expiring December 9, 2005, for office premises which require rental payments of approximately \$3,600 per month until December 31, 2005.

10. Request for Arbitration

Pursuant to the terms of an agreement dated October 16, 2001 among the Corporation, its subsidiary Balzan, NN Invest Holdings SA, a Luxembourg Company (“NNIH”) that is a subsidiary of Norilsk Mining Company and Societe Des Mines de la Tontouta (“SMT”), a French company, NNIH and SMT agreed to participate with Balzan in the development of mineral properties in New Caledonia. NNIH subsequently terminated the agreement and commenced arbitration proceedings in the International Court of Arbitration in Paris against the Corporation and Balzan to recover funds reimbursed to Balzan of US\$7,166,000 plus amounts expended on the project amounting to US\$1,368,222 plus costs. In November, 2003 in preliminary proceedings, the arbitral tribunal ruled that it had jurisdiction under the terms of the agreement to hear the arbitration claim. It is too early to determine the outcome of merits of the arbitration claim and the Corporation is defending the claim, which it believes to be wholly without merit, and has filed a counterclaim against NNIH. No provision has been made in the Financial Statements relating to this claim.

The Directors declare that the Financial Statements and notes set out on pages 6-18:

- (a) Comply with Generally Accepted Accounting Standards in Canada, and
- (b) Give a true and fair review of the consolidated entity's financial position as at June 30, 2004 and of its performance for the half year ended on that date.

In the Director's opinion:

- (a) The financial statements and notes are in accordance with Generally Accepted Accounting Standards in Canada, and
- (b) There are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors dated August 10, 2004.



Per: _____
Cecil Bond, Director