

CONSOLIDATED FINANCIAL STATEMENTS

STRATABOUND MINERALS CORP.

December 31, 2004 and 2003



Chartered Accountants
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AUDITORS' REPORT

To the Shareholders of
Stratabound Minerals Corp.

We have audited the consolidated balance sheets of **Stratabound Minerals Corp.** as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for the years then ended. 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. 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 Stratabound Minerals Corp. as at December 31, 2004 and 2003 and the results of its operations and the changes in its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Canada
March 22, 2005

[signed Luna Clark Taniguchi]

Chartered Accountants

Stratabound Minerals Corp.

CONSOLIDATED BALANCE SHEETS

As at December 31

	2004	2003
	\$	\$
ASSETS		
Current		
Cash	219,078	266,065
Marketable securities <i>[note 2]</i>	229	200
Accounts receivable	45,801	11,995
Provincial resource tax credit receivable	31,300	—
	<u>296,408</u>	<u>278,260</u>
Property and equipment <i>[note 3]</i>	4,128	5,756
Mineral properties <i>[note 4]</i>	3,023,460	2,758,368
	<u>3,323,996</u>	<u>3,042,384</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	<u>31,501</u>	<u>35,902</u>
Shareholders' equity		
Share capital <i>[note 5(b)]</i>	8,414,605	8,070,430
Contributed surplus <i>[note 5(c)]</i>	40,000	—
Deficit	<u>(5,162,110)</u>	<u>(5,063,948)</u>
	<u>3,292,495</u>	<u>3,006,482</u>
	<u>3,323,996</u>	<u>3,042,384</u>

See accompanying notes

Approved on behalf of the Board of Directors:

"Stan Stricker" Director "Michael Mann" Director

Stratabound Minerals Corp.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Years ended December 31

	2004	2003
	\$	\$
Revenue		
Interest and other	2,367	277
Petroleum	—	4,273
	<u>2,367</u>	<u>4,550</u>
Expenses		
General and administrative <i>[schedule 1]</i>	162,401	107,037
Depletion and amortization	1,628	1,313
Petroleum	—	520
	<u>164,029</u>	<u>108,870</u>
Loss from operations	161,662	104,320
Write down of mineral properties <i>[note 4]</i>	—	865,054
	<u>161,662</u>	<u>969,374</u>
Net loss before income taxes	161,662	969,374
Income taxes <i>[note 6]</i>		
Future recovery	(63,500)	(78,700)
	<u>98,162</u>	<u>890,674</u>
Net loss for the year	98,162	890,674
Deficit, beginning of year	5,063,948	4,173,274
	<u>5,162,110</u>	<u>5,063,948</u>
Deficit, end of year	5,162,110	5,063,948
Basic loss per share	<u>0.007</u>	<u>0.076</u>
Diluted loss per share	<u>0.007</u>	<u>0.076</u>

See accompanying notes

Stratabound Minerals Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	2004	2003
	\$	\$
CASH WAS PROVIDED BY (USED FOR):		
Operating activities		
Net loss for the year	(98,162)	(890,674)
Items not involving cash		
Depletion and amortization	1,628	1,313
Stock-based compensation [note 5(c)]	29,333	—
Write down of mineral properties	—	865,054
Future income taxes	(63,500)	(78,700)
Funds from operations	(130,701)	(103,007)
Changes in non-cash working capital balances		
Marketable securities	(29)	—
Accounts receivable	(33,806)	(10,079)
Provincial resource tax credit receivable	(31,300)	—
Accounts payable and accrued liabilities	(4,401)	21,044
Repayments to officers	—	(31,500)
	(200,237)	(123,542)
Financing activities		
Issuance of share capital, net of share issue costs	363,175	462,175
Investing activities		
Purchase of property and equipment	—	(4,555)
Expenditures on mineral properties	(280,101)	(162,871)
Government incentives	70,176	35,450
	(209,925)	(131,976)
Increase (decrease) in cash for the year	(46,987)	206,657
Cash, beginning of year	266,065	59,408
Cash, end of year	219,078	266,065

See accompanying notes

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003

1. FUTURE OPERATIONS

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

These financial statements have been prepared on the going concern basis and do not include any adjustments that may be required should the Company be unable to continue as a going concern. The amounts shown as mineral properties costs represent net costs to date, less amounts written off, and do not necessarily represent present or future values. The recoverability of the cost of mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of properties.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations, which have been made using careful judgement. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Principles of consolidation

The consolidated financial statements include the accounts of Compania Minera Stratamex, S.A. de C.V., which was wholly owned by the Company. The subsidiary was incorporated in Mexico on April 9, 1997. Effective December 22, 2003, the subsidiary was dissolved. The comparative figures include the operations of the Mexican subsidiary from January 1, 2003 to December 22, 2003.

Marketable securities

Marketable securities are recorded at the lower of cost and quoted market value. At December 31, 2004, the cost of these marketable securities was \$229 (2003 – \$200) and the quoted market value was \$1,066 (2003 – \$720).

Mineral properties and related deferred expenditures

The Company capitalizes the cost of acquiring mineral property claims and exploration costs that are directly related to specific mineral property claims until the extent of mineralization has been determined and the mineral claims are either developed, abandoned or allowed to lapse. Proceeds from the sale of royalty interests or option payments received are considered incidental revenue during the pre-production period and are credited to mineral properties and related deferred expenditures. If no future capital expenditure is required and proceeds exceed cost, the excess amount is reported as a gain on disposal.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Mineral properties and related deferred expenditures (cont'd)

Upon commencement of commercial production, the cost of mineral claims and related deferred costs will be amortized against income from the project using the unit-of-production method. Costs that are not considered economically recoverable through mining operations or through the sale of properties, and costs related to projects that are allowed to lapse, are expensed during the period. Provisions may be made if, in the opinion of management, there is impairment in value that is other than temporary.

The recoverability of the book value of mineral properties is evaluated periodically. Estimated future net cash flows from each property is calculated, where information is available, using historic estimates of proven, probable and possible resources, estimated commodity prices and operating, capital and reclamation costs on an undiscounted basis. If the remaining investment in mineral properties exceeds the estimate of undiscounted cash flows, reductions in the carrying value of each property are recorded to the extent the remaining investment exceeds the estimate of undiscounted cash flows.

Management's estimates of commodity prices, recoverable resources, and operating, capital and reclamation costs are subject to risks and uncertainties of change affecting the recoverability of the Company'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 net cash flows expected to be generated from its properties and the need for asset impairment write downs.

Options

Where the Company enters into option agreements for the acquisition of interests in mineral properties that provide for periodic payments, such amounts are not recorded as liabilities since they are payable at the Company's option. Such payments, when made, are recorded as costs of the properties to which they relate.

Asset retirement obligations

The recommendations of CICA Handbook Section 3110, Asset Retirement Obligations, became effective on January 1, 2004. This section requires the recognition of a liability for legal obligations relating to the retirement of property and equipment and obligations arising from the acquisition, construction, development or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which the liability is incurred. A corresponding increase to the carrying value of the related asset, where one is identifiable, is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimate of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or changes in cost estimates. Changes in estimates are expensed when known.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

No liability accrual has been recorded as the Company is in the exploration stage on its properties and no reasonable estimate of the fair value of the liability can be determined. There is no effect on prior years, as a result of adopting this new recommendation.

Joint operations

These consolidated financial statements reflect only the Company's proportionate interest in exploration and production activities conducted jointly with others.

Amortization

Amortization of office equipment is provided using the declining balance method at rates between 20% and 30%.

Flow-through financing

The Company finances a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Shareholders' equity is reduced and future income taxes are increased by an estimate of the future tax cost of the transferred expenditures.

Stock-based compensation

The Company records compensation expense in the consolidated financial statements for stock options granted to employees and directors using the fair value method. Fair values are determined using the Black-Scholes option-pricing model. Compensation costs are recognized over any vesting period. Any consideration paid by employees on the exercise of options is credited to share capital.

Income taxes

The Company follows the future income tax asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the estimated tax recoverable or payable that would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period in which they occur. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect on the dates the assets were acquired or liabilities were assumed. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Gains and losses on translation are reflected in income when incurred.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Per share amounts

The Company uses the Treasury Stock Method of calculating diluted per share amounts. Under this method, deemed proceeds from the exercise of employee stock options are used to acquire common shares at an average share price.

The weighted average number of shares outstanding during the year was 14,621,502 (2003 – 11,764,579 shares). There was no significant difference between basic and diluted per share amounts.

3. PROPERTY AND EQUIPMENT

	2004		
	Cost	Accumulated Depletion and Amortization	Net Book Value
	\$	\$	\$
Oil and gas properties	11,444	11,444	—
Office equipment	35,041	30,913	4,128
	46,485	42,357	4,128
	2003		
	Cost	Accumulated Depletion and Amortization	Net Book Value
	\$	\$	\$
Oil and gas properties	11,444	11,444	—
Office equipment	35,041	29,285	5,756
	46,485	40,729	5,756

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003

4. MINERAL PROPERTIES

	Bathurst, N.B. \$	Otish Mountains, Que. \$	Ramsay Brook, N.B. \$	Elmtree, N.B. \$	Canada Total \$	Coahuila, Mexico \$	Total \$
Cost							
December 31, 2002	2,944,026	44,478	16,687	—	3,005,191	992,427	3,997,618
Acquisition & renewals	1,150	—	19,215	23,000	43,365	—	43,365
Assays and analyses	—	13,100	18,518	—	31,618	—	31,618
Claims taxes and other	—	—	—	—	—	10,465	10,465
Geochemistry	—	43,246	10,435	—	53,681	—	53,681
Geology and prospecting	—	—	10,576	5,056	15,632	—	15,632
Geophysics	550	—	4,926	—	5,476	—	5,476
Line-cutting	—	—	8,061	—	8,061	—	8,061
Trenching	—	—	19,698	—	19,698	—	19,698
Government incentives	—	—	(35,450)	—	(35,450)	—	(35,450)
Write down of mineral properties	(198,162)	—	—	—	(198,162)	(1,002,892)	(1,201,054)
	2,747,564	100,824	72,666	28,056	2,949,110	—	2,949,110
Accumulated depletion	(190,742)	—	—	—	(190,742)	—	(190,742)
December 31, 2003	2,556,822	100,824	72,666	28,056	2,758,368	—	2,758,368
Cost							
December 31, 2003	2,747,564	100,824	72,666	28,056	2,949,110	—	2,949,110
Acquisition & renewals	3,120	6,000	27,240	17,540	53,900	—	53,900
Assays and analyses	—	6,048	189	20,297	26,534	—	26,534
Geochemistry	—	60,427	—	9,900	70,327	—	70,327
Geology and prospecting	1,193	14,674	5,284	64,411	85,562	—	85,562
Geophysics	—	—	10,350	—	10,350	—	10,350
Line-cutting	—	—	19,227	—	19,227	—	19,227
Trenching	—	—	6,040	31,161	37,201	—	37,201
Salaries and benefits	—	7,250	2,000	12,250	21,500	—	21,500
Stock-based compensation	—	4,267	1,066	5,334	10,667	—	10,667
Government incentives	—	(35,626)	(4,550)	(30,000)	(70,176)	—	(70,176)
	2,751,877	163,864	139,512	158,949	3,214,202	—	3,214,202
Accumulated depletion	(190,742)	—	—	—	(190,742)	—	(190,742)
December 31, 2004	2,561,135	163,864	139,512	158,949	3,023,460	—	3,023,460

For the years ended December 31, 2004 and 2003, the Company's mineral properties were non-producing and were not subject to depletion. The Company also did not charge any amount to income for accretion expense.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003

4. MINERAL PROPERTIES (CONT'D)

Bathurst, New Brunswick

The Company holds a major land position of 3,853 hectares in the Bathurst Mining Camp region in New Brunswick, Canada. Eastmain Resources Inc. can earn a 50% interest in 1,586 hectares of the Bathurst properties by spending \$1,500,000 on exploration by April 30, 2005. Eastmain has the option to earn an additional 10% interest in the properties by spending a further \$1,000,000 on exploration. In 2003, the Company relinquished its claim on certain of the Bathurst properties and charged \$198,162 to operations as a write down of these properties.

Otish Mountains, Quebec

The Company owns a 100% interest in the 3,471-hectare Marusia diamond prospect in the Otish mountain area of Central Quebec. The former owner retained a 2% royalty from any minerals produced from the property.

Ramsay Brook, New Brunswick

The Company owns 68 claims (1,100 hectares) and has the option to earn a 100% interest in an additional 10 claims (162 hectares), subject to a 2% net smelter return, covering a gold prospect in Restigouche County, New Brunswick. The exercise of this option is dependent upon a future payment of \$125,000 on the 3rd anniversary date of the agreement, along with issuing 37,500 common shares from Treasury.

Elmtree, New Brunswick

The Company has the option to earn a 100% interest in 10 claims (162 hectares), subject to a 2% net smelter return, covering a gold prospect in Gloucester County, New Brunswick. The exercise of this option is dependent upon future payments of \$20,000 and \$125,000 on the 2nd and 3rd anniversary dates respectively of the agreement, along with issuing 50,000 common shares from Treasury.

Coahuila, Mexico

In 2003, the Company phased out exploration and relinquished its claims on these base metals and silver prospects in the northeastern Mexican State of Coahuila. The Company was unable to obtain financing to meet scheduled purchase and property tax payments. All costs previously capitalized with respect to these properties have been written off. Costs associated with these properties amounted to \$1,002,892 and mineral property taxes payable on the properties amounted to \$336,000. The write off of both the properties and related mineral property taxes payable resulted in a charge to operations of \$666,892 in 2003.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003

5. SHARE CAPITAL

a) Authorized

An unlimited number of common shares, without nominal or par value

b) Issued

	Number of shares	Amount \$
Balance – December 31, 2002	11,066,079	7,661,830
Private placement (i)	2,886,000	463,700
Issued for mineral properties (ii)	37,500	7,125
Issued for mineral properties (iii)	100,000	18,000
Issued on exercise of warrants	19,000	2,850
Future income taxes on renounced flow through expenditures (i)	—	(78,700)
Share issue costs	—	(4,375)
	14,108,579	8,070,430
Balance – December 31, 2003	14,108,579	8,070,430
Issued for mineral properties (ii)	150,000	27,000
Issued for mineral properties (iii)	116,666	17,500
Private placement (iv)	930,000	139,500
Private placement (v)	1,500,334	225,050
Issued on exercise of warrants	20,000	3,000
Future income taxes on renounced flow through expenditures (v)	—	(63,500)
Share issue costs	—	(4,375)
	16,825,579	8,414,605
Balance – December 31, 2004	16,825,579	8,414,605

- (i) In 2003, the Company entered into agreements for the private placement of 72 flow-through units at a price of \$1,200 per unit and 88.6 non flow-through units at a price of \$1,000 per unit. Each flow-through unit consists of 7,500 flow-through common shares, 2,500 non flow-through common shares and 10,000 common share purchase warrants. Each non flow-through unit consists of 10,000 non flow-through common shares and 10,000 common share purchase warrants. Each warrant entitles the holder to purchase one common share for \$0.15 for a period of three years from the date of closing, which was July 25, 2003.

In 2003, the Company issued 210,000 units at a price of \$0.12 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.20 for a period of three years from the date of closing, which was November 11, 2003.

In 2003, the Company entered into an agreement to issue 50,000 shares at \$0.17 per common share.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003

5. SHARE CAPITAL (CONT'D)

In 2003, the Company issued 650,000 flow-through shares at \$0.25 per share and 370,000 units at a price of \$0.25 per unit. Each unit consists of one common share and one-half of a common share purchase warrant. One full warrant entitles the holder to purchase one common share for \$0.30 for a period of three years from the date of closing, which was December 10, 2003.

- (ii) In 2004 and 2003, the Company issued shares as partial consideration for the Ramsay Brook property in New Brunswick. In 2004, 150,000 (2003 – 37,500) shares were issued at \$0.18 (2003 – \$0.19) per common share.
- (iii) In 2004 and 2003, the Company issued shares as partial consideration for the Elmtree property in New Brunswick. In 2004, 116,666 (2003 – 100,000) shares were issued at \$0.15 (2003 – \$0.18) per share.
- (iv) During the year, the Company issued 930,000 common share units at \$0.15 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.20 per share for a period of three years from the closing date, which was July 28, 2004.
- (v) During the year, the Company entered into agreements for the private placement of 1,250,334 flow-through common shares at a price of \$0.15 per share and 250,000 non flow-through common share units at a price of \$0.15 per unit. Each non flow-through common share unit consists of one common share and one half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share for two years from the date of closing, which was December 23, 2004, at \$0.20 per share in the first year and for \$0.25 per share in the second year. The securities are subject to a hold period ending April 23, 2005.

c) Stock options outstanding

The Company has a stock option plan for its key officers, directors, employees and consultants. Up to 10% of the issued and outstanding shares may be reserved for issuance under the plan. As at December 31, 2004 there were stock options outstanding to purchase 985,000 common shares at prices ranging from \$0.20 to \$0.60 per share, with expiry dates ranging from July 26, 2005 to March 5, 2009.

The following is a summary of the status of the Company's stock options at December 31, 2004 and changes during the year:

	Options	Weighted average exercise price
Balance, beginning of year	1,022,000	\$0.38
Issued during the year	250,000	0.20
Expired during the year	(287,000)	0.55
Balance, end of year	985,000	\$0.29
Exercisable at end of year	985,000	\$0.29

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003

5. SHARE CAPITAL (CONT'D)

During the year, 287,000 options expired and the Company granted 250,000 options to an officer and directors. Compensation costs totaling \$40,000 (\$0.16 per option) using the fair-value method have been recorded. Certain of these compensation costs have been allocated between the mineral properties (\$10,667) and the remainder (\$29,333) has been expensed. The weighted average fair value of each option granted is estimated using the Black-Scholes option-pricing model using the following assumptions for options: weighted average life of five years, risk-free interest rate of 3.98%, expected volatility of 120% and dividend yield of 0%.

The following summarizes information about stock options outstanding at December 31, 2004.

Exercise Price	Number Outstanding	Weighted average remaining contractual life (years)	Number Exercisable
\$0.60	35,000	0.57	35,000
\$0.50	200,000	1.29	200,000
\$0.22	500,000	2.58	500,000
\$0.20	250,000	4.17	250,000
	985,000		985,000

d) Share purchase warrants outstanding

The following is a summary of the status of the Company's share purchase warrants at December 31, 2004 and changes during the year:

	Warrants	Weighted average exercise price
Balance, beginning of year	4,095,997	\$0.19
Issued during the year	1,055,000	0.20
Exercised during the year	(20,000)	0.15
Balance, end of year	5,130,997	\$0.19
Exercisable at end of year	5,130,997	\$0.19

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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5. SHARE CAPITAL (CONT'D)

The following summarizes information about warrants outstanding at December 31, 2004.

Exercise Price	Number Outstanding	Weighted average remaining contractual life (years)	Number Exercisable
\$0.22	440,050	0.90	440,050
\$0.15	177,500	1.50	177,500
\$0.15	1,586,000	1.58	1,586,000
\$0.20	210,000	1.88	210,000
\$0.30	185,000	1.96	185,000
\$0.20	125,000	1.98	125,000
\$0.22	1,477,447	2.38	1,477,447
\$0.20	930,000	2.58	930,000
	5,130,997		5,130,997

During the year, the expiry date on 1,477,447 warrants was extended from May 17, 2004 to May 17, 2007.

6. INCOME TAXES

The provision for income taxes differs from the amount that would be obtained by applying the combined Canadian federal and provincial income tax rate to income before income taxes. This difference results from the following items:

	2004 \$	2003 \$
Statutory income tax rate	33.87%	34.62%
Computed expected tax recovery	(54,800)	(335,600)
Income tax provision (recovery) resulting from:		
Non-deductible expenses	500	235,000
Future tax assets not previously recognized	(63,500)	(78,700)
Future tax asset valuation allowance	54,300	100,600
Provision for future income tax recovery	(63,500)	(78,700)

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. INCOME TAXES (CONT'D)

The significant components of the Company's future income tax assets and liabilities are as follows:

	<u>\$</u>
Non-capital loss carry forwards	381,100
Property and equipment and mineral properties	(217,000)
Share issue costs	2,100
Net future tax assets before valuation allowance	166,200
Future tax asset valuation allowance	(166,200)
	<u>—</u>

Due to the uncertainty surrounding the realization of the future income tax assets in future years, the Company has not recognized any future tax asset in its financial statements.

At December 31, 2004, the Company has approximately \$2,424,000 of unused cumulative Canadian exploration expense, cumulative Canadian development expense, cumulative Canadian oil and gas property expense, earned depletion and tangible equipment to offset future taxable income. The tax benefits pertaining to these amounts are available for carry forward indefinitely.

At December 31, 2004, the Company has non-capital losses of \$1,125,200 available for offset against future taxable income. If these losses are not utilized, they will expire as follows:

Available until	Amount
	<u>\$</u>
2005	199,500
2006	215,300
2007	218,500
2008	162,800
2009	69,200
2010	97,200
2014	162,700
	<u>1,125,200</u>

7. RELATED PARTY TRANSACTIONS

During the year, the Company paid rent of \$3,600 (2003 – \$3,000) to officers of the Company.

All related party transactions are in the normal course of operations and have been measured at the agreed to exchange amounts, which is the amount of consideration established and agreed to by the related parties.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8. FINANCIAL INSTRUMENTS

The Company's financial instruments recognized on the balance sheet consist of cash, marketable securities, accounts receivable and accounts payable and accrued liabilities.

Price risk

The Company is exposed to price risk to the extent that metal prices fluctuate in the world markets.

Fair values of financial assets and liabilities

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments of the same risk, principal and remaining maturities. Except where disclosed otherwise, there are no significant differences between the carrying values of these amounts and their estimated market values.

Stratabound Minerals Corp.

GENERAL AND ADMINISTRATIVE EXPENSES

Years ended December 31

	2004	2003
	\$	\$
Salaries and benefits	48,173	31,270
Professional fees	34,020	29,812
Filing fees and investor communications	33,299	25,191
Stock-based compensation <i>[note 5(c)]</i>	29,333	—
Office and other	13,976	17,764
Rent <i>[note 7]</i>	3,600	3,000
	162,401	107,037

The above expenses include \$Nil (2003 – \$10,906) of costs related to the Mexican operations.