

**CONSOLIDATED FINANCIAL STATEMENTS**

**STRATABOUND MINERALS CORP.**

(Unaudited – Prepared by Management)

**June 30, 2004**

**Stratabound Minerals Corp.**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited – Prepared by Management)

	<b>June 30, 2004</b>	<b>December 31, 2003</b>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	110,830	266,065
Marketable securities	200	200
Accounts receivable	21,849	11,995
	132,879	278,260
<b>Property and equipment</b>	4,942	5,756
<b>Mineral properties [note 2]</b>	2,834,346	2,758,368
	2,972,167	3,042,384
 <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	15,738	35,902
<b>Shareholders' equity</b>		
Share capital [note 3]	8,073,430	8,070,430
Contributed surplus [note 3]	40,000	—
Deficit	(5,157,001)	(5,063,948)
	2,956,429	3,006,482
	2,972,167	3,042,384

*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

Periods ended June 30

(Unaudited – Prepared by Management)

	<b>Three months 2004</b>	<b>Three months 2003</b>	<b>Six months 2004</b>	<b>Six months 2003</b>
	\$	\$	\$	\$
<b>Revenues</b>	<b>478</b>	2	<b>1,053</b>	13
<b>Expenses</b>				
Salaries and benefits	11,072	978	22,143	1,957
Filing fees and investor communications	9,854	4,714	17,359	9,165
Professional fees	5,525	2,151	14,401	3,661
Office and other	2,197	1,864	8,256	5,768
Rent	900	750	1,800	1,500
Stock-based compensation <i>[note 3]</i>	—	—	29,333	—
Depletion and amortization	407	157	814	314
	<b>29,955</b>	10,614	<b>94,106</b>	22,365
<b>Net loss for the period</b>	<b>29,477</b>	10,612	<b>93,053</b>	22,352
Deficit, beginning of period	<b>5,127,524</b>	4,185,014	<b>5,063,948</b>	4,173,274
<b>Deficit, end of period</b>	<b>5,157,001</b>	4,195,626	<b>5,157,001</b>	4,195,626
<b>Basic loss per share</b>	<b>.002</b>	.001	<b>.007</b>	.002
<b>Diluted loss per share</b>	<b>.002</b>	.001	<b>.007</b>	.002

*See accompanying notes*

## Stratabound Minerals Corp.

### CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods ended June 30

(Unaudited – Prepared by Management)

	<b>Three months 2004</b>	<b>Three months 2003</b>	<b>Six months 2004</b>	<b>Six months 2003</b>
	\$	\$	\$	\$
<b>CASH PROVIDED BY (USED IN)</b>				
<b>Operating</b>				
Net loss for the period	(29,477)	(10,612)	(93,053)	(22,352)
Items not involving cash				
Depletion and amortization	407	157	814	314
Stock-based compensation	—	—	29,333	—
<b>Funds from operations</b>	<b>(29,070)</b>	<b>(10,455)</b>	<b>(62,906)</b>	<b>(22,038)</b>
<b>Net change in non-cash working capital</b>	<b>(8,754)</b>	<b>(1,612)</b>	<b>(30,018)</b>	<b>(16,060)</b>
	<b>(37,824)</b>	<b>(12,067)</b>	<b>(92,924)</b>	<b>(38,098)</b>
<b>Financing</b>				
Issuance of share capital	3,000	—	3,000	—
<b>Investing</b>				
Expenditures on mineral properties	(31,299)	(2,175)	(80,361)	(3,207)
Government grant	10,500	14,000	15,050	14,000
	<b>(20,799)</b>	<b>11,825</b>	<b>(65,311)</b>	<b>10,793</b>
<b>Decrease in cash for the period</b>	<b>(55,623)</b>	<b>(242)</b>	<b>(155,235)</b>	<b>(27,305)</b>
Cash, beginning of period	<b>166,453</b>	32,345	<b>266,065</b>	59,408
<b>Cash, end of period</b>	<b>110,830</b>	32,103	<b>110,830</b>	32,103

*See accompanying notes*

# Stratabound Minerals Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

(Unaudited – Prepared by Management)

The Company's auditors have not audited nor have they performed a review of these interim consolidated financial statements. The unaudited interim consolidated financial statements for the period ended June 30, 2004 have been prepared by management in accordance with Canadian generally accepted accounting principles and follow the same accounting policies as the consolidated financial statements for the fiscal year ended December 31, 2003. The unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereon for the fiscal year ended December 31, 2003.

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.

### 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. MINERAL PROPERTIES

The Company has capitalized expenditures related to the mineral properties summarized as follows:

	Bathurst, N.B. \$	Otish Mountains, Que. \$	Ramsay Brook, N.B. \$	Elmtree, N.B. \$	Other \$	Three months ended June 30, 2004 \$	Three months ended June 30, 2003 \$
<b>Cost - Beginning of period</b>	<b>2,556,822</b>	<b>119,961</b>	<b>81,033</b>	<b>54,838</b>	<b>893</b>	<b>2,813,547</b>	3,807,908
Geology	—	6,699	301	19,299	—	26,299	2,175
Salaries and benefits	—	2,250	500	2,250	—	5,000	—
Government grant	—	—	—	(10,500)	—	(10,500)	(14,000)
<b>Cost - End of period</b>	<b>2,556,822</b>	<b>128,910</b>	<b>81,834</b>	<b>65,887</b>	<b>893</b>	<b>2,834,346</b>	3,796,083

# Stratabound Minerals Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

(Unaudited – Prepared by Management)

### 2. MINERAL PROPERTIES (CONT'D)

	Bathurst, N.B. \$	Otish Mountains, Que. \$	Ramsay Brook, N.B. \$	Elmtree, N.B. \$	Other \$	Six months ended June 30, 2004 \$	Six months ended June 30, 2003 \$
<b>Cost - Beginning of period</b>	<b>2,556,822</b>	<b>100,824</b>	<b>72,666</b>	<b>28,056</b>	<b>—</b>	<b>2,758,368</b>	3,806,876
Acquisition costs	—	5,880	—	40	—	5,920	—
Claims taxes	—	—	—	—	893	893	1,032
Geology	—	7,641	1,302	38,207	—	47,150	2,175
Assays and analyses	—	6,048	—	—	—	6,048	—
Geophysics	—	—	10,350	—	—	10,350	—
Salaries and benefits	—	4,250	1,000	4,750	—	10,000	—
Stock-based compensation [note 3]	—	4,267	1,066	5,334	—	10,667	—
Government grant	—	—	(4,550)	(10,500)	—	(15,050)	(14,000)
<b>Cost - End of period</b>	<b>2,556,822</b>	<b>128,910</b>	<b>81,834</b>	<b>65,887</b>	<b>893</b>	<b>2,834,346</b>	<b>3,796,083</b>

### 3. SHARE CAPITAL

#### Authorized

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

#### Issued

	Number of Shares	Amount \$
<b>Balance – December 31, 2002</b>	<b>11,066,079</b>	<b>7,661,830</b>
Issued for mineral properties	137,500	25,125
Issued for cash, net of future income taxes on flow through shares	2,886,000	385,000
Issued on exercise of warrants	19,000	2,850
Share issue costs	—	(4,375)
<b>Balance – December 31, 2003</b>	<b>14,108,579</b>	<b>8,070,430</b>
Issued on exercise of warrants	20,000	3,000
<b>Balance – June 30, 2004</b>	<b>14,128,579</b>	<b>8,073,430</b>

The weighted average number of shares outstanding at June 30, 2004 was 14,113,579 (2003 – 11,066,079 shares). There was no significant difference between basic and diluted per share amounts.

# Stratabound Minerals Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

(Unaudited – Prepared by Management)

### 3. SHARE CAPITAL (CONT'D)

#### Stock options outstanding

<b>Number of Options</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
40,000	0.55	Dec. 15, 2004
35,000	0.60	July 26, 2005
200,000	0.50	Apr. 17, 2006
500,000	0.22	Aug. 2, 2007
250,000	0.20	Mar. 5, 2009
<b>Total</b>	<b>1,025,000</b>	

In the first quarter of 2004, 247,000 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 as follows: weighted average life of five years, risk-free interest rate of 3.98%, expected volatility of 120% and dividend yield of 0%.

#### Share purchase warrants outstanding

<b>Number of Warrants</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
440,050	0.22	Oct. 24, 2005
177,500	0.15	June 28, 2006
1,586,000	0.15	July 25, 2006
210,000	0.20	Oct. 14, 2006
185,000	0.30	Dec. 10, 2006
1,477,447	0.22	May 17, 2007
<b>Total</b>	<b>4,075,997</b>	

### 4. SUBSEQUENT EVENTS

Subsequent to the period end, the Company issued 930,000 common shares and 930,000 common share purchase warrants for proceeds of \$139,500.