

**INTERIM FINANCIAL STATEMENTS**

**STRATABOUND MINERALS CORP.**

(Unaudited – Prepared by Management)

**September 30, 2005**

# Stratabound Minerals Corp.

## BALANCE SHEET

(Unaudited – Prepared by Management)

	September 30, 2005	December 31, 2004
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	146,408	219,078
Marketable securities, at cost	229	229
Accounts receivable	15,256	45,801
Provincial resource tax credits	31,300	31,300
	<u>193,193</u>	<u>296,408</u>
<b>Property and equipment</b>	<b>3,258</b>	<b>4,128</b>
<b>Mineral properties [note 2]</b>	<b>3,460,986</b>	<b>3,023,460</b>
	<u><b>3,657,437</b></u>	<u><b>3,323,996</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>85,656</u>	<u>31,501</u>
<b>Shareholders' equity</b>		
Share capital [note 3]	8,663,025	8,414,605
Contributed surplus	85,475	40,000
Deficit	(5,176,719)	(5,162,110)
	<u>3,571,781</u>	<u>3,292,495</u>
	<u><b>3,657,437</b></u>	<u><b>3,323,996</b></u>

*See accompanying notes*

Approved on behalf of the Board of Directors:

“Stan Stricker” \_\_\_\_\_ Director “Michael Mann” \_\_\_\_\_ Director

# Stratabound Minerals Corp.

## STATEMENT OF OPERATIONS AND DEFICIT

Periods ended September 30

(Unaudited – Prepared by Management)

	<b>Three months 2005</b>	<b>Three months 2004</b>	<b>Nine months 2005</b>	<b>Nine months 2004</b>
	\$	\$	\$	\$
<b>Revenues</b>	<b>622</b>	542	<b>1,417</b>	1,595
<b>Expenses</b>				
Salaries and benefits	11,065	11,072	33,196	33,215
Filing fees and shareholder communications	6,062	8,515	24,992	25,874
Professional fees	4,152	6,870	14,382	21,271
Office and other	1,958	2,923	16,433	11,179
Rent	900	900	2,700	2,700
Stock-based compensation <i>[note 3]</i>	—	—	28,533	29,333
Depletion and amortization	290	407	870	1,221
	<b>24,427</b>	30,687	<b>121,106</b>	124,793
<b>Net loss before taxes</b>	<b>(23,805)</b>	(30,145)	<b>(119,689)</b>	(123,198)
Future income tax recovery <i>[note 3]</i>	<b>105,080</b>	—	<b>105,080</b>	—
<b>Net income (loss) for the period</b>	<b>81,275</b>	(30,145)	<b>(14,609)</b>	(123,198)
Deficit, beginning of period	<b>5,257,994</b>	5,157,001	<b>5,162,110</b>	5,063,948
<b>Deficit, end of period</b>	<b>5,176,719</b>	5,187,146	<b>5,176,719</b>	5,187,146
<b>Basic income (loss) per share</b>	<b>.004</b>	(.002)	<b>(.001)</b>	(.009)
<b>Diluted income (loss) per share</b>	<b>.004</b>	(.002)	<b>(.001)</b>	(.009)

*See accompanying notes*

# Stratabound Minerals Corp.

## STATEMENT OF CASH FLOWS

Periods ended September 30

(Unaudited – Prepared by Management)

	<b>Three months 2005</b>	<b>Three months 2004</b>	<b>Nine months 2005</b>	<b>Nine Months 2004</b>
	\$	\$	\$	\$
<b>CASH PROVIDED BY (USED IN)</b>				
<b>Operating</b>				
Net income (loss) for the period	81,275	(30,145)	(14,609)	(123,198)
Items not involving cash				
Depletion and amortization	290	407	870	1,221
Future income tax recovery	(105,080)	—	(105,080)	—
Stock-based compensation	—	—	28,533	29,333
<b>Funds from operations</b>	<b>(23,515)</b>	<b>(29,738)</b>	<b>(90,286)</b>	<b>(92,644)</b>
<b>Net change in non-cash working capital</b>	<b>51,795</b>	<b>45,531</b>	<b>84,700</b>	<b>15,513</b>
	<b>28,280</b>	<b>15,793</b>	<b>(5,586)</b>	<b>(77,131)</b>
<b>Financing</b>				
Issuance of share capital	140,750	162,125	348,250	165,125
Proceeds from exercised warrants	—	—	1,500	—
	<b>140,750</b>	<b>162,125</b>	<b>349,750</b>	<b>165,125</b>
<b>Investing</b>				
Expenditures on mineral properties	(147,962)	(125,304)	(416,834)	(205,665)
Government grants	—	—	—	15,050
	<b>(147,962)</b>	<b>(125,304)</b>	<b>(416,834)</b>	<b>(190,615)</b>
<b>Increase (decrease) in cash</b>	<b>21,068</b>	<b>52,614</b>	<b>(72,670)</b>	<b>(102,621)</b>
Cash, beginning of period	125,340	110,830	219,078	266,065
<b>Cash, end of period</b>	<b>146,408</b>	<b>163,444</b>	<b>146,408</b>	<b>163,444</b>

*See accompanying notes*

# **Stratabound Minerals Corp.**

## **NOTES TO FINANCIAL STATEMENTS**

September 30, 2005 and 2004

(Unaudited – Prepared by Management)

The Company's auditors have not audited nor have they performed a review of these interim financial statements. The unaudited interim financial statements for the period ended September 30, 2005 have been prepared by management in accordance with Canadian generally accepted accounting principles and follow the same accounting policies as the financial statements for the fiscal year ended December 31, 2004. The unaudited interim financial statements should be read in conjunction with the financial statements and the notes therein for the fiscal year ended December 31, 2004.

### **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.

# Stratabound Minerals Corp.

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005 and 2004

(Unaudited – Prepared by Management)

### 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. \$	Enja, Que \$	Three months ended Sept. 30, 2005 \$	Three months ended Sept. 30, 2004 \$
<b>Cost – July 1, 2005</b>	<b>2,565,076</b>	<b>208,028</b>	<b>171,623</b>	<b>286,812</b>	<b>77,735</b>	<b>3,309,274</b>	2,834,346
Acquisition & renewal costs	3,120	—	4,062	—	1,208	8,390	29,520
Assays and analyses	—	—	27,263	10,919	—	38,182	1,757
Geochemistry	8,047	—	—	6,046	—	14,093	63,185
Geology and prospecting	5,881	—	10,879	15,114	—	31,874	19,802
Geophysics	6,240	—	6,523	12,288	—	25,051	—
Line-cutting	11,043	—	—	6,565	—	17,608	—
Surveys	—	—	—	3,575	—	3,575	—
Trenching	—	—	—	7,939	—	7,939	6,040
Salaries and benefits	1,000	—	2,000	2,000	—	5,000	5,000
<b>Cost – September 30, 2005</b>	<b>2,600,407</b>	<b>208,028</b>	<b>222,350</b>	<b>351,258</b>	<b>78,943</b>	<b>3,460,986</b>	2,959,650

	Bathurst, N.B. \$	Otish Mountains, Que. \$	Ramsay Brook, N.B. \$	Elmtree, N.B. \$	Enja, Que \$	Nine months ended Sept. 30, 2005 \$	Nine months Ended Sept. 30, 2004 \$
<b>Cost – January 1, 2005</b>	<b>2,561,135</b>	<b>163,864</b>	<b>139,512</b>	<b>158,949</b>	—	<b>3,023,460</b>	2,758,368
Acquisition & renewal costs	3,307	—	4,062	—	30,767	38,136	35,440
Claims taxes	—	—	—	—	—	—	893
Assays and analyses	—	39,588	28,209	17,709	—	85,506	7,805
Drilling	—	—	—	92,712	—	92,712	—
Geochemistry	8,047	—	—	6,046	—	14,093	63,185
Geology and prospecting	7,137	1,188	36,656	32,195	22,071	99,247	66,952
Geophysics	6,240	—	6,523	12,288	21,717	46,768	10,350
Line-cutting	11,043	—	—	6,565	—	17,608	—
Surveys	—	—	—	3,575	—	3,575	—
Trenching	—	—	—	7,939	—	7,939	6,040
Salaries and benefits	1,000	—	4,000	9,000	1,000	15,000	15,000
Stock-based compensation [note 3]	2,498	3,388	3,388	4,280	3,388	16,942	10,667
Government grant	—	—	—	—	—	—	(15,050)
<b>Cost – September 30, 2005</b>	<b>2,600,407</b>	<b>208,028</b>	<b>222,350</b>	<b>351,258</b>	<b>78,943</b>	<b>3,460,986</b>	2,959,650

# Stratabound Minerals Corp.

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005 and 2004

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### 3. SHARE CAPITAL

#### Authorized

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

#### Issued

	Number of Shares	Amount \$
<b>Balance – December 31, 2003</b>	<b>14,108,579</b>	8,070,430
Issued on exercise of warrants	20,000	3,000
Issued for mineral properties	150,000	27,000
Issued for mineral properties	116,666	17,500
Private placement	930,000	139,500
Private placement	1,500,334	225,050
Future income taxes on renounced flow through expenditures	—	(63,500)
Share issue costs	—	(4,375)
	<b>16,825,579</b>	<b>8,414,605</b>
<b>Balance – December 31, 2004</b>		
Issued for mineral properties	100,000	20,000
Issued for mineral properties	37,500	3,750
Issued on exercise of warrants	10,000	1,500
Private placement	2,188,333	328,250
Finders fee	9,750	1,463
Future income taxes on renounced flow through expenditures	—	(105,080)
Share issue costs	—	(1,463)
	<b>19,171,162</b>	<b>8,663,025</b>

The weighted average number of shares outstanding at September 30, 2005 was 17,433,225 (2004 – 14,286,079 shares). There was no significant difference between basic and diluted per share amounts.

During the third quarter, the Company closed a private placement of 2,068,333 flow-through shares at \$0.15 per share and 120,000 common share units at \$0.15 per unit. Each common share unit includes one common share plus 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 at \$0.18 per share in the first year and \$0.25 per share in the second year. Total proceeds raised from the private placement are \$328,250.

# Stratabound Minerals Corp.

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005 and 2004

(Unaudited – Prepared by Management)

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

#### Stock options outstanding

Number of Options	Exercise Price \$	Expiry Date
200,000	0.50	Apr. 17, 2006
500,000	0.22	Aug. 2, 2007
250,000	0.20	Mar. 5, 2009
425,000	0.15	Apr. 21, 2010
<b>Total</b>	1,375,000	

In the second quarter of 2005, the Company granted 425,000 options to directors, officers and consultants pursuant to its Stock Option Plan. Compensation costs totaling \$45,475 (\$0.11 per option) using the fair-value method have been recorded. Certain of these compensation costs have been allocated between the mineral properties (\$16,942) and the remainder (\$28,533) 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 3.0%, expected volatility of 120% and dividend yield of 0%.

#### Share purchase warrants outstanding

Number of Warrants	Exercise Price \$	Expiry Date
440,050	0.22	Oct. 24, 2005
177,500	0.15	June 28, 2006
1,576,000	0.15	July 25, 2006
210,000	0.20	Oct. 14, 2006
185,000	0.30	Dec. 10, 2006
125,000	0.20	Dec. 23, 2006
1,477,447	0.22	May 17, 2007
930,000	0.20	July 28, 2007
64,875	0.18	Nov. 7, 2007
<b>Total</b>	5,185,872	