

**ALDERSHOT RESOURCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**

**JANUARY 31, 2005**

## AUDITORS' REPORT

To the Shareholders of  
**Aldershot Resources Ltd.**

We have audited the consolidated balance sheets of **Aldershot Resources Ltd.** as at January 31, 2005 and 2004 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 the company as at January 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada,  
May 17, 2005.

'Ernst & Young LLP'  
Chartered Accountants

**ALDRSHOT RESOURCES LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT JANUARY 31**

	2005	2004
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 205,433	\$ 109,388
Short-term investments	-	300,000
Receivables	20,290	34,551
Prepaid expenses	<u>3,977</u>	<u>15,879</u>
	229,700	459,818
<b>Equipment</b> (Note 4)	3,990	1,841
<b>Resource properties</b> (Note 5)	<u>135,632</u>	<u>119,632</u>
	<u>\$ 369,322</u>	<u>\$ 581,291</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 58,638	\$ 31,463
Due to related parties (Note 8)	<u>54,875</u>	<u>52,865</u>
	<u>113,513</u>	<u>84,328</u>
<b>Shareholders' equity</b>		
Capital stock (Note 6)		
Authorized		
10,000,000 Series "A" cumulative, redeemable, convertible preferred shares with a par value of \$1.00		
Issued : 744,932 (2004 – 744,932)	744,932	744,932
500,000,000 common shares without par value		
Issued : 16,985,897 (2004 – 11,684,897)	3,419,663	2,643,150
Contributed surplus (Note 6)	291,034	-
Deficit	<u>(4,199,820)</u>	<u>(2,891,119)</u>
	<u>255,809</u>	<u>496,963</u>
	<u>\$ 369,322</u>	<u>\$ 581,291</u>

**Nature and continuance of operations** (Note 1)

**On behalf of the Board:**

\_\_\_\_\_  
*"Jeremy Caddy"* Director      \_\_\_\_\_  
*"Ian Adam"* Director

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

**ALDERSHOT RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**YEARS ENDED JANUARY 31**

	2005	2004
<b>EXPENSES</b>		
Exploration costs (Note 5)	\$ 659,736	\$ 55,220
Amortization	1,116	333
Bank charges	840	335
Consulting	26,087	58,750
Finders' fee	-	500
Foreign exchange	19,616	1,190
Investor relations	65,251	17,980
Management fees (Note 8)	73,666	30,000
Professional fees	73,910	61,456
Regulatory, and trust company fees	19,115	15,512
Office, rent, secretarial and administration	30,286	19,070
Shareholder information	1,997	8,814
Stock-based compensation (Note 7)	291,034	-
Travel and related expenses	43,200	18,473
Website design and maintenance	5,780	-
<b>Loss before other items</b>	<u>(1,311,634)</u>	<u>(287,633)</u>
<b>OTHER ITEM</b>		
Interest income	<u>2,933</u>	<u>-</u>
<b>Net loss for the year</b>	(1,308,701)	(287,633)
<b>Deficit, beginning of year</b>	(2,891,119)	(2,557,286)
<b>Cumulative effect of change in accounting policies (Note 3)</b>	<u>-</u>	<u>(46,200)</u>
<b>Deficit, end of year</b>	<u>\$ (4,199,820)</u>	<u>\$ (2,891,119)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.09)</u>	<u>\$ (0.05)</u>
<b>Weighted average number of shares outstanding</b>	<u>13,793,307</u>	<u>7,212,185</u>

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

**ALDERSHOT RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**AS AT JANUARY 31**

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (1,308,701)	\$ (287,633)
Items not affecting cash:		
Amortization	1,116	333
Stock-based compensation	291,034	-
Changes in non-cash working capital items:		
Receivables	14,261	(33,345)
Prepaid expense	11,902	(13,146)
Accounts payable and accrued liabilities	<u>27,174</u>	<u>7,052</u>
Cash used in operating activities	<u>(963,214)</u>	<u>(326,739)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Due to related party	2,010	52,865
Share issue costs	-	(105,114)
Proceeds from issuance of capital stock	<u>776,514</u>	<u>702,250</u>
Cash provided by financing activities	<u>778,524</u>	<u>650,001</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	(3,265)	(1,453)
Resource property acquisition costs	(16,000)	-
Short-term investments	<u>300,000</u>	<u>(300,000)</u>
Cash provided by (used in) investing activities	<u>280,735</u>	<u>(301,453)</u>
<b>Increase in cash position during year</b>	96,045	21,809
<b>Cash position, beginning of year</b>	<u>109,388</u>	<u>87,579</u>
<b>Cash position, end of year</b>	<u>\$ 205,433</u>	<u>\$ 109,388</u>
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	-	-

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

**ALDERSHOT RESOURCES LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 2005

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Aldershot Resources Ltd. (“the Company”), which commenced operations on October 4, 1996, is engaged in the acquisition, exploration and development of precious gem and metal properties. These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business.

These consolidated financial statements include the financial statements of the Company, which is the accounting subsidiary and its accounting parent, Can-Dore Diamond Mining Corporation (“Can-Dore”). Significant inter-company transactions have been eliminated on consolidation.

The consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

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	2005	2004
Working capital	\$ 116,187	\$ 375,490
Deficit	(4,199,820)	(2,891,119)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

These consolidated financial statements include the financial statements of the Company, which is the accounting subsidiary and its accounting parent, Can-Dore Diamond Mining Corporation (“Can-Dore”). Significant intercompany transactions have been eliminated on consolidation.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from these estimates.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, and all highly liquid debt instruments purchased with a maturity of three months or less.

**Short-term investments**

Short-term investments, which consist of financial instruments purchased with an original maturity of greater than three months and less than one year, are recorded at the lower of cost and market.

**Exploration and development costs**

During the year ended January 31, 2004, the Company changed its accounting policy to charge exploration costs to operations as incurred. For the year ended January 31, 2003 the Company accounted for its mineral properties whereby all direct costs, net of pre-production revenue, relative to the acquisition of exploration for and development of these properties were capitalized.

When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized. Capitalized amounts may be written down if future undiscounted cash flows, including potential sales proceeds, related to a mineral property are estimated to be less than the carrying value of the property.

**Resource properties**

Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Capitalized amounts may be written down if future cash flows, including potential sales proceeds, related to the property are estimated to be less than the carrying value of the property. Management of the Company reviews the carrying value of each mineral property interest periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Reductions in the carrying value of each property would be recorded to the extent the carrying value of the investment exceeds the estimated future net cash flows.

**Equipment**

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%

**Stock-based compensation**

Effective February 1, 2003, the Company adopted the fair value accounting provisions of CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" ("CICA 3870") for all stock-based compensation granted after February 1, 2003. Under this method, the fair value of the stock options at the date of grant is recognized as a charge to the Consolidated Statement of Operations and Deficit and is amortized over the vesting period with the offsetting credit to contributed surplus.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes**

Income taxes are provided for in accordance with the liability method whereby future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For loss per share the dilutive effect has not been presented as it proved to be anti-dilutive.

Loss per share is calculated using the weighted-average number of shares outstanding during the year. In determining the income available to common shareholders, undeclared dividends on the cumulative preferred shares are deducted from income.

**3. CHANGE IN ACCOUNTING POLICIES**

a) **Exploration costs**

Effective February 1, 2003, the Company has changed its accounting policy for exploration costs. Under its new accounting policy, it must be probable that exploration expenditures will be recovered from future operations in order to be capitalized and that acquisition costs of mineral properties are to be written off upon determination that the costs will not be recovered from future operations. Previously, the Company capitalized all exploration costs incurred on its mineral properties if exploration was continuing on the property, on the basis that it was too early to tell whether the deferred costs would be recovered from a geological resource or reserve or otherwise. As provided by Accounting Guideline 11, Enterprises in the Development Stage ("AcG 11"), the Company has accounted for this change in accounting policy on a retroactive basis without restatement of prior years. The impact of the adoption of AcG-11 was to reduce deferred exploration and development costs by \$46,200 and increase the opening deficit by \$46,200.

b) **Stock-based compensation**

As described in note 2, effective February 1, 2003, the Company prospectively adopted CICA 3870, which requires fair value accounting for all stock options issued during the year. Prior to the adoption of the new accounting standard, the Corporation did not record the fair value of stock options issued, rather, it provided pro-forma disclosure of the effect of applying the fair value based method to stock options issued to directors, officers and employees.

**ALDERSHOT RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2005**

**4. EQUIPMENT**

	2005			2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 5,994	\$ 4,626	\$ 1,368	\$ 5,994	\$ 4,285	\$ 1,709
Computer equipment	<u>5,124</u>	<u>2,502</u>	<u>2,622</u>	<u>1,860</u>	<u>1,728</u>	<u>132</u>
	\$ 11,118	\$ 7,128	\$ 3,990	\$ 7,854	\$ 6,013	\$ 1,841

**5. RESOURCE PROPERTIES**

The Company entered into agreements to acquire interests in resource properties as follows:

	2005	2004
Terre de Oro Mining Property, Chile	\$ 33,479	\$ 33,479
Hornitos Group of Claims, Chile	16,000	-
Ripplesea Joint Venture, Western Australia	86,153	86,153
Fields Find Gold Property, Western Australia	-	-
Yuinmery Uranium Project, Western Australia	-	-
Turee Creek Uranium Project, Western Australia	-	-
	<u>\$ 135,632</u>	<u>\$ 119,632</u>

**Terre de Oro Mining Property - Chile**

(a) Las Lomitas Project

On March 18, 2003, the Company entered into an Option Agreement with International PBX Ventures Ltd. and its wholly owned Chilean subsidiary, Minera IPBX Ltda. ("International PBX"), which replaces and supersedes a Memorandum of Understanding dated November 28, 2000, as amended on February 28, 2001, May 31, 2001, October 4, 2001 and February 22, 2002. Pursuant to the terms of the Option Agreement, International PBX granted to the Company the sole and exclusive right and irrevocable option to acquire up to a 70% interest in five copper and gold mining concessions covering 1,000 hectares of land in Chile, which are known as the Lomitas and Cortez prospects.

The Company and International PBX added to the Chile Concessions exploration concessions covering approximately 2,000 hectares.

**5. RESOURCE PROPERTIES** (cont'd...)

**Terre de Oro Mining Property – Chile** (cont'd...)

(a) Las Lomitas Project (cont'd...)

Pursuant to the terms of the Option Agreement, as consideration for the Chile Concessions, the Company agreed with International PBX to the following conditions:

- (a) The aggregate amount of US\$290,000, of which US\$15,000 (Cdn\$33,479) was paid in prior years, and the balance is payable as follows: in order to acquire a 40% interest, the Company was required to pay US\$25,000 on or before December 31, 2004; in order to acquire an additional 11% interest, the Company was required pay US\$50,000 on or before December 31, 2005; and in order to acquire the remaining 19% interest, the Company was required to pay the balance of US\$200,000 on or before December 31, 2006.
- (b) The issuance of an aggregate of 400,000 Common Shares in the capital stock of the Company, of which 100,000 Common Shares were issued on October 21, 2002, with the balance to be issued as follows: in order to acquire a 40% interest, the Company was required to issue an additional 100,000 Common Shares on or before December 31, 2004; in order to acquire an additional 11% interest, the Company was required to issue an additional 100,000 Common Shares on or before December 31, 2005; and, in order to acquire the remaining 19% interest, the Company was required to issue the balance of 100,000 Common Shares on or before December 31, 2006.
- (c) Incur expenditures up to a maximum aggregate amount of US\$1,180,000 for the development of the concessions as follows: in order to acquire a 40% interest, US\$80,000 on or before December 31, 2004, in order to acquire an additional 11% interest, an additional US\$200,000 on or before December 31, 2005; and, in order to acquire the remaining 19% interest, an additional US\$300,000 before December 31, 2006 and a further US\$600,000 on or before December 31, 2007.

The Chile Concessions are registered in the name of Minera IPBX Limitada, a wholly owned Chilean subsidiary of International PBX.

The principals of International PBX are at arm's length to the Company.

The Company decided that it would not be continuing with this project. As a result, the Company did not have any obligation to make any of the option payments that were due on December 31, 2004.

(b) San Joint Venture – Chile

The Company entered into a Letter of Intent with International PBX dated June 18, 2004, to create a new Joint Venture project to be known as the "San Joint Venture" involving three concessions and in which the two parties each holds a 50% contributing and participating interest. No funds have been spent or committed at January 31, 2005.

**Hornitos Group of Claims – Chile**

On August 20, 2004, the Company entered into an option agreement with International PBX Ventures Ltd ("PBX") to explore PBX's Hornitos property in Region III, Northern Chile. The Hornitos claims cover an area of 3,200 hectares. Pursuant to the terms of the agreement, the Company can earn a 65% interest in the claims by paying PBX a total of \$370,000 over a four year period (\$16,000 paid in cash to date) and spending \$1,300,000 in an exploration work program over the same period, as set out in the table below:

**ALDERSHOT RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2005**

**5. RESOURCE PROPERTIES (cont'd...)**

**Hornitos Group of Claims – Chile (cont'd...)**

	Cash reimbursements	Exploration expenditures
February 20, 2005	\$ 16,000	\$ 130,000 best efforts
August 20, 2005	30,000	130,000
August 20, 2006	60,000	130,000
August 20, 2007	100,000	390,000
August 20, 2007	148,000	520,000

**Ripplesea Joint Venture - Western Australia**

On December 6, 2002, the Company entered into a letter of intent with Ripplesea Pty Ltd of Perth, Western Australia, in respect of seven exploration licences in the East Kimberley region of Western Australia (E80/2924-2930). The tenements covered approximately 900 square kilometres and the Company acquired a 50% interest in the seven exploration licences in consideration for AUD\$100,000 (Cdn\$86,153). The Company also has the right to earn an additional 25% interest, for a total 75%, if the Company funds all exploration, as per the requirements of the Western Australian Mining Act, and undertakes all exploration, reporting and related requirements, up to and including the completion of a bankable feasibility study. During the year ended January 31, 2005, the Company determined that no further work will be done on the JV's tenements at Black Duck and Ruby Plains. As a result, the tenements have been dropped. The remaining two exploration licences cover an area of 175 square kilometers and exploration activities are continuing. Ripplesea Pty Ltd. is at arm's length to the Company.

**Fields Find Gold Property - Western Australia**

The Company entered into The Fields Find Farm-in and Joint Venture Heads of Agreement on December 24, 2003 with Thundelarra Exploration Ltd. ("Thundelarra") covering 11 prospecting licences, 8 exploration licences, one mining lease and 4 mining lease applications covering 488.56 square km located 420 kilometres north of Perth.

Under the terms of the Letter of Agreement, the Company will be entitled to earn up to 60% in the tenements wholly owned by Thundelarra by the expenditure of AUD\$600,000 by December 24, 2006. As reimbursement for Thundelarra's previous expenditures on the said tenements 1,000,000 common shares in the capital of the Company at a deemed price of \$0.15 have been issued to Thundelarra.

Thundelarra is a related party with the Company by virtue of common directors. The Fields Find transaction is a "related party transaction" as defined in the policies of the TSX Venture Exchange and "minority shareholder approval" for its execution was required. Minority Shareholder Approval is defined by the policies of the Exchange as being approval by a majority of shareholders that are independent of the transaction for which approval is sought. A resolution was approved by the shareholders of the Company at a Special General Meeting held on July 16, 2004.

**Yuinmery Uranium Project – Western Australia**

The Company applied for exploration licence ELA57/593 with an area of approximately 75 square kilometres covering a highly prospective uranium indicated mineral resource, the Yuinmery Uranium Project. The exploration licence is located in the East Murchison mining field near the town of Yuinmery 480 kilometres north east of Perth, Western Australia.

**ALDERSHOT RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2005**

**5. RESOURCE PROPERTIES (cont'd...)**

**Turee Creek Uranium Project – Western Australia**

The Company has a 100% interest in Exploration License E52/1763, a tenement that covers approximately 50 square kilometres of prospective terrain located about 110km west of the Newman township in the Pilbarra Region of Western Australia.

The following is a summary of exploration and development costs incurred by the Company related to its mineral property interests, and charged to operations.

<b>2005</b>	Las Lomas Project	Hornitos Group of Claims	San Joint Venture	Ripplesea Joint Venture	Fields Find Gold Property	Yuimmery Uranium Project	Turee Creek	Total
Assays and lab testing	\$ 14,596	\$ -	\$ -	\$ 5,102	\$ 11,278	\$ -	\$ -	\$ 30,976
Drilling	84,700	-	-	-	29,357	-	-	114,057
Equipment rental	3,450	-	-	-	-	-	-	3,450
Geological consulting	44,299	-	-	92,765	28,053	-	3,511	168,628
Labour	2,430	-	-	-	-	-	-	2,430
Maintenance and licence fees	8,761	-	-	22,462	54,064	3,598	-	88,885
Materials and supplies	349	-	-	198	4,348	-	-	4,895
Maps and reproduction	6,756	-	-	2,677	-	-	-	9,433
Mineral resource database	12,840	12,840	-	-	-	-	-	25,680
Property inspection	6,150	-	-	-	150,000	-	-	156,150
Travel and transport	42,961	-	-	10,885	1,306	-	-	55,152
Total exploration costs for the year	\$ 227,292	\$ 12,840	\$ -	\$ 134,089	\$ 278,406	\$ 3,598	\$ 3,511	\$ 659,736

<b>2004</b>	Las Lomas Project	Ripplesea Joint Venture	Fields Find Gold Property	Total
Assays and lab testing	\$ -	\$ 10,116	\$ -	\$ 10,116
Geological consulting	6,880	16,017	-	22,897
Maintenance and licence fees	-	20,919	-	20,919
Materials and supplies	-	890	-	890
Maps and reproduction	367	31	-	398
Total exploration costs for the year	\$ 7,247	\$ 47,973	\$ -	\$ 55,220

**ALDERSHOT RESOURCES LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 2005

**6. CAPITAL STOCK**

**Common Shares**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
500,000,000 common shares without par value			
Issued			
Balance as at January 31, 2003	6,469,897	\$ 2,046,014	\$ -
Shares issued per short form offering document	4,000,000	520,000	-
Private placement	1,200,000	180,000	-
Exercise of share purchase warrants	15,000	2,250	-
Share issue costs	-	(105,114)	-
Balance as at January 31, 2004	11,684,897	2,643,150	-
Private placement	2,000,000	340,000	-
Exercise of stock options	640,000	64,000	-
Exercise of share purchase warrants	1,661,000	249,149	-
Pursuant to joint venture agreement	1,000,000	150,000	-
Share issue costs	-	(26,636)	-
Stock based compensation	-	-	291,034
Balance as at January 31, 2005	16,985,897	\$ 3,419,663	\$ 291,034

During the year ended January 31, 2005, the Company issued 2,000,000 units at 0.17 per unit for gross proceeds of \$340,000 from a private placement. Each unit is comprised of one common share and a non-transferable share purchase warrant entitling the holder to acquire one-half of a common share for \$0.19 per share until February 20, 2005 and \$0.21 until February 20, 2006.

During the year ended January 31, 2005, the Company issued 640,000 common shares at \$0.10 for gross proceeds of \$64,000 pursuant to the exercise of stock options and 1,661,000 common shares at \$0.15 for gross proceeds of \$249,149 pursuant to the exercise of share purchase warrants. Proceeds of \$15,900 from the exercise of the share purchase warrants were received subsequent to the year.

During the year ended January 31, 2005, the Company issued 1,000,000 common shares at a deemed price of \$0.15 per share pursuant to a joint venture agreement on the Fields Find Gold Property (Note 5).

During the year ended January 31, 2004, the Company completed a short form offering document consisting of 4,000,000 units at \$0.13 per unit for gross proceeds of \$520,000. Each unit has one common share and one-half of one share purchase warrant for a total of 2,000,000 share purchase warrants allowing the holder to purchase one common share at \$0.15 until May 27, 2005. Net proceeds, after deducting agents' fees and other issue expenses, were \$444,975. In connection with this offering, there is an agent's option agreement, which provides for a total of 600,000 broker units, exercisable at a price of \$0.13 per share and expiring May 27, 2005. Each unit consist of one common share and one-half share warrant for a total of 300,000 share purchase warrants exercisable at a price of \$0.15 per share. The Company issued 15,000 common shares at \$0.15 for gross proceeds of \$2,250 pursuant to the exercise of share purchase warrants.

**ALDERSHOT RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2005**

**6. CAPITAL STOCK (cont'd...)**

During the year ended January 31, 2004, the Company completed a private placement of 1,200,000 units at \$0.15 per unit for gross proceeds of \$180,000. Each unit has one common share and one share purchase warrant for a total of 1,200,000 share purchase warrants allowing the holder to purchase one common share at \$0.17 until January 22, 2005 or at \$0.19 until January 22, 2006. Net proceeds, after deducting agents' fees and other issue expenses were \$149,911.

**Preferred shares**

The Company has authorized Series "A" Cumulative, Redeemable, Convertible Preferred share capital of 10,000,000 shares of \$1.00 par value each. As of January 31, 2005 and 2004, the Company has issued 744,932 of these shares in retirement of long-term debt. These shares carry a 10% dividend, are convertible to common shares at the ratio of one preferred share for four common shares. They are not convertible for the first 12 months and thereafter 25% may be converted every 12 months. The Company can, at any time, redeem all, but not less than all, of the preferred shares at a price of \$1.00 per share. The Company will also issue shares in payment of all outstanding dividends, declared and undeclared. If none of the holders of the preferred shares convert them into common shares by October 21, 2006, then all the preferred shares will be automatically converted into 2,979,728 common shares at a deemed price of \$0.25 per share.

At January 31, 2005, cumulative undeclared dividends of \$148,986 (2004 - \$95,310) were due to the holders of these shares.

**Stock options**

The Company, in accordance with the policies of the TSX-V, may grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock at the date of grant less a discount in accordance with TSX-V policies. The options can be granted for a maximum term of 5 years.

A summary of the stock options outstanding at January 31, 2005:

Number Outstanding January 31, 2004	Granted	Exercised	Cancelled	Expired	Number Outstanding January 31, 2005	Exercise Price Per Share	Expiry Date
640,000	-	640,000	-	-	-	\$ 0.10	November 7, 2007
-	1,200,000	-	-	-	1,200,000	\$ 0.25	April 1, 2009
-	350,000	-	-	-	350,000	\$ 0.25	November 9, 2009
640,000	1,550,000	640,000	-	-	1,550,000		

**ALDERSHOT RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. CAPITAL STOCK (cont'd...)**

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, January 31, 2003	640,000	\$ 0.10
Options expired and cancelled	-	-
Options exercised	-	-
Balance, January 31, 2004	640,000	0.10
Options granted	1,550,000	0.25
Options exercised	(640,000)	0.10
Balance, January 31, 2005	1,550,000	\$ 0.25

**Warrants**

A summary of the share purchase warrants outstanding at January 31, 2005:

Number Outstanding January 31, 2004	Granted	Exercised	Cancelled	Expired	Number Outstanding January 31, 2005	Exercise Price Per Share	Expiry Date
2,500,000	-	1,500,000	-	1,000,000	-	\$ 0.15	October 21, 2004
2,285,000	-	161,000	-	-	2,124,000	\$ 0.15	May 27, 2005
1,200,000	-	-	-	-	1,200,000	\$ 0.17	January 22, 2005 or
						\$ 0.19	January 22, 2006
-	1,000,000	-	-	-	1,000,000	\$0.19	February 20, 2005 or
						\$ 0.21	February 20, 2006
5,985,000	1,000,000	1,661,000	-	1,000,000	4,324,000		

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**7. STOCK-BASED COMPENSATION**

During the year ended January 31, 2005, the Company granted 1,550,000 stock options to employees, directors and officers. The estimated fair value of these options is recorded as \$291,034 at a weighted average fair value of \$0.19 per option. This amount has been expensed as stock-based compensation in the statement of operations with a corresponding amount recorded as contributed surplus in shareholders' equity.

The following assumptions were used for Black-Scholes valuation of the stock options granted during the period:

Risk-free interest rate	3.3% ~ 3.9%
Expected life of options	5 years
Annualized volatility	118.4% ~ 131.3%
Dividend rate	0.00%

**8. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

		2005	2004
Director	(a) \$	73,666	\$ 30,000
Director	(b)	6,505	-
Director and officer	(c)	27,009	-
Director	(d)	7,601	-
Directors and officer	(e)	43,848	37,545

- a) Paid or accrued management fees of \$73,666 (2004 - \$30,000) to two directors of the Company.
- b) Paid or accrued consulting fees of \$6,505 (2004 - \$Nil) to a company controlled by a director of the Company.
- c) Paid or accrued legal fees of \$27,009 (part of professional fees) (2004 - \$Nil) to legal firms of which an officer and a director of the Company are partners.
- d) Paid or accrued geological consulting fees (part of exploration costs) of \$7,601 (2004 - \$Nil) to a director of the Company.
- e) Undeclared dividends on preferred shares of \$43,848 (2004 - \$37,545) are due to directors and an officer of the Company.

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**8. RELATED PARTY TRANSACTIONS (cont'd...)**

The following amounts due to related parties are non-interest bearing and have no specific terms of repayment:

	2005	2004
Thundelarra Explorations Ltd.	\$ 51,875	\$ 32,865
Director	<u>3,000</u>	<u>20,000</u>
	<u>\$ 54,875</u>	<u>\$ 52,865</u>

Related party transactions are in the normal course of operations, occurring on terms and conditions that are similar to those of transactions with unrelated parties and, therefore, are measured at the exchange amount.

**9. SEGMENTED INFORMATION**

All of the Company's operations are in the mineral resource exploration industry with its principal business activity in the acquisition and development of mineral resource properties. The Company has mineral resource properties located in Chile and Western Australia.

At January 31, 2005, the total amount of assets attributable to Chile are \$50,379 (2004 - \$Nil) and the total amount attributable to Western Australia are \$243,317 (2004 - \$Nil). Exploration costs incurred during the year in Chile were \$240,132 (2004 - \$Nil) and Western Australia were \$419,604 (2004 - \$Nil).

**10. INCOME TAXES**

A reconciliation of current taxes at statutory rates with the reported taxes is as follows based on an income tax rate of 35.62% (2004 - 37.62%):

	2005	2004
Loss before income taxes	\$ (1,308,701)	\$ (287,633)
Current income taxes (recovery)	( 466,159)	(108,207)
Non-deductible items for tax	103,666	333
Impact of change in tax rate	5,975	-
Unrecognized benefits of non-capital losses (valuation allowance)	<u>356,518</u>	<u>107,874</u>
Total current income taxes (recovery)	<u>\$ -</u>	<u>\$ -</u>

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**10. INCOME TAXES (Cont'd...)**

The tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities are as follows:

	2005	2004
Future income tax assets (liabilities):		
Book amortization in excess of tax capital cost allowance	\$ 400	\$ 333
Financing fees	37,441	39,544
Exploration expenditures	285,813	209,249
Non-capital losses available for future periods	<u>259,807</u>	<u>139,556</u>
	583,461	388,682
Valuation allowance	<u>(583,461)</u>	<u>(388,682)</u>
Net future income tax asset (liability)	<u>\$ -</u>	<u>\$ -</u>

The Company has incurred operating losses of approximately \$734,000 which, if unutilized will expire through 2015. Subject to certain restrictions, the Company also had resource exploration expenditures available to reduce taxable income of future years of approximately \$802,000. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements, as their realization is not judged likely to occur.

**11. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities and due to related parties. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

**12. SUBSEQUENT EVENTS**

Subsequent to January 31, 2005, the Company:

- a) Issued 831,500 common shares for gross proceeds of \$126,325 pursuant to the exercise of share purchase warrants.
- b) Issued 1,000,000 common shares on February 25, 2005, at \$0.20 per unit for gross proceeds of \$200,000 pursuant to a non-brokered private placement. Each unit consists of one common share and one warrant exercisable at \$0.25 in the first year and \$0.30 in the second year.
- c) Issued 574,368 common shares on March 4, 2005 at deemed price of \$0.25 per share, pursuant to the conversion of 143,592 preferred shares.
- d) Decided that it will not be continuing with the Los Lomitas Project in Chile with its joint venture partner, International PBX Ventures Ltd.
- e) Applied for seven more uranium tenements in the Northern Territory of Australia on March 1, 2005
- f) Closed a private placement of 4,065,307 Units on April 18, 2005, at \$0.31 per unit for gross proceeds of \$1,260,245. Each unit consists of one common share and one non-transferable warrant. Two warrants entitle the holder to purchase one additional common share for two years at \$0.41 per share. The securities have a hold expiring August 19, 2005. The Company paid a cash 7% finder's fee of \$45,353 to three separate parties.
- g) Applied for two uranium prospecting licences in Zambia on April 11, 2005.
- h) Granted 925,000 stock options on April 21, 2005 to certain directors, officers, employees and consultants at \$0.28 per share for five years.