

TRIGON EXPLORATION CANADA LTD.
(formerly 4087909 Canada Inc.)

FINANCIAL STATEMENTS

MARCH 31, 2005

TRIGON EXPLORATION CANADA LTD.

(formerly 4087909 Canada Inc.)

BALANCE SHEET

(Not Reviewed By An Auditor)

	March 31, 2005	December 31, 2004 (Audited)
ASSETS		
Current		
Cash and equivalents	\$ 3,860,990	\$ 3,857,699
Receivables	906,020	638,233
Prepaid expenses	<u>365,494</u>	<u>194,782</u>
	5,132,504	4,690,714
Equipment (Note 3)	268,458	255,480
Long-term investment (Note 4)	120,000	120,000
Mineral properties (Note 5)	<u>2,796,402</u>	<u>1,727,649</u>
	\$ 8,317,364	\$ 6,793,843
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 409,371	170,238
Accounts payable - related parties (Note 8)	<u>-</u>	<u>-</u>
	409,371	170,238
Shareholders' equity		
Capital stock (Note 6)	8,403,496	7,536,864
Contributed surplus (Note 6)	272,785	257,915
Subscription advances		
Deficit	<u>(768,288)</u>	<u>(1,171,174)</u>
	<u>7,907,993</u>	<u>6,623,605</u>
	\$ 8,317,364	6,793,843

Nature and continuance of operations (Note 1)**Subsequent events** (Note 14)**On behalf of the Board:**“George Poling”

Director

“Sidney Himmel”

Director

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

TRIGON EXPLORATION CANADA LTD.
(formerly 4087909 Canada Inc.)
STATEMENTS OF OPERATIONS AND DEFICIT
(Not Reviewed By An Auditor)

	Three Month Period Ended March 31, 2005	Three Month Period Ended March 31, 2004 (Audited)
INCOME	\$ 22,282	
EXPENSES		
Amortization	\$ 15,358	\$ 1,935
Conferences	1,245	2,090
Consulting	10,000	-
Investor Relations	36,482	-
Office and miscellaneous	19,030	28,252
Professional fees	30,175	37,814
Rent and storage	7,843	5,488
Stock-based compensation (Note 7)	14,870	-
Travel and related costs	16,497	35,696
Wages and benefits	<u>65,245</u>	<u>41,038</u>
Loss before income taxes	<u>(194,463)</u>	<u>(152,313)</u>
Write-off of Mineral Properties (Bam)	(7,869)	-
Future income tax recovery (Note 11)	<u>605,218</u>	<u>140,188</u>
Earnings (Loss) for the period	402,886	(12,125)
Deficit, beginning of period	<u>(1,171,174)</u>	<u>(421,869)</u>
Deficit, end of period	<u>\$ (768,288)</u>	<u>\$ (433,994)</u>
Basic and diluted earnings (loss) per common share	<u>\$ 0.01</u>	<u>\$ (.00)</u>
Weighted average number of common shares outstanding	<u>28,970,281</u>	<u>11,632,391</u>

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

TRIGON EXPLORATION CANADA LTD.
(formerly 4087909 Canada Inc.)
STATEMENTS OF CASH FLOWS
(Not Reviewed By An Auditor)

	Three Month Period Ended March 31, 2005	Three Month Period Ended March 31, 2004 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings (Loss) for the period	\$ 402,886	\$ (12,125)
Items not affecting cash:		
Amortization	15,358	1,935
Stock-based compensation	14,870	-
Future income tax recovery	(605,218)	(140,188)
Write-off of Mineral Properties	7,869	
Changes in non-cash working capital items:		
Increase in receivables	(267,787)	(56,874)
Increase in prepaid expenses	(170,712)	(26,650)
Increase in accounts payable and accrued liabilities	239,133	171,506
Increase in accounts payable - related parties	<u>-</u>	<u>77,057</u>
Net cash provided by (used in) operating activities	<u>(363,601)</u>	<u>14,661</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(28,336)	(31,018)
Mineral properties	(1,828,123)	(622,950)
Mineral property option payments received	<u>751,501</u>	<u>93,148</u>
Net cash used in investing activities	<u>(1,104,958)</u>	<u>(560,820)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	1,700,160	2,097,025
Share issuance costs	(228,310)	(200,895)
Subscription advances	<u>-</u>	<u>55,000</u>
Net cash provided by financing activities	<u>1,471,850</u>	<u>1,951,130</u>
Increase in cash and equivalents for the period	3,291	1,404,971
Cash and equivalents, beginning of period	<u>3,857,699</u>	<u>664,975</u>
Cash and equivalents, end of period	<u>\$ 3,860,990</u>	<u>\$ 2,069,946</u>
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	<u>-</u>	<u>-</u>

Supplemental disclosure with respect to cash flows (Note 9)

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

TRIGON EXPLORATION CANADA LTD.
(formerly 4087909 Canada Inc.)
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Canada Business Corporations Act on November 8, 2002 as 4087909 Canada Inc. and changed its name to Trigon Exploration Canada Ltd. on March 3, 2003. The Company's primary business is the acquisition and exploration of mineral properties and it is considered to be in the exploration stage. On October 29, 2003, the Company consolidated its Class B multiple voting shares on a 2:1 basis. On June 28, 2004, the Company reorganized its capital stock and converted all Class B multiple voting shares into common shares on a 1:1 basis. All references to share and per share amounts have been restated to reflect the consolidation. On November 1, 2004, the Company completed its initial public offering ("IPO").

The Company has not yet determined whether its mineral properties contain economically recoverable ore reserves. The recovery of the amounts comprising mineral properties and deferred exploration costs are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and equivalents

Cash and equivalents include highly liquid investments with original maturities of three months or less.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded at the following annual rates and methods:

Furniture and Fixtures	20% declining balance
Computer equipment	30% declining balance
Exploration equipment	30% declining balance
Leasehold Improvements	5 years straight line

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Long-term investment

Long-term investment consists of shares in a publicly traded company and is accounted for on the cost basis. Declines in market value below costs are recognized when such declines are considered to be other than temporary.

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligation

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of a fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Stock-based compensation

The Company accounts for the granting of stock options to employees and non-employees using the fair value method whereby all awards to employees and non-employees will be recorded at fair value on the date of grant. The Company estimates the fair value of each stock option at the date of grant using the Black-Scholes option pricing model. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset would be recovered, it provides a valuation allowance against the excess.

TRIGON EXPLORATION CANADA LTD.
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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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 loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options and warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the periods presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period.

3. EQUIPMENT

	March 31, 2005			December 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 29,969	\$ 1,581	\$ 28,388	\$ 10,952	\$ 747	\$ 10,205
Computer equipment	96,495	19,313	77,182	91,792	13,200	78,592
Exploration equipment	110,252	5,418	104,834	107,400	-	107,400
Leasehold improvements	<u>62,947</u>	<u>4,893</u>	<u>58,054</u>	<u>61,183</u>	<u>1,900</u>	<u>59,283</u>
	\$ 299,663	\$ 31,205	\$ 268,458	\$ 271,327	\$ 15,847	\$ 255,480

4. LONG-TERM INVESTMENT

The Company holds the following investment:

	March 31, 2005	December 31, 2004
Sudbury Contact Mines Limited (Note 5) (75,000 shares with a market value at March 31, 2005 - \$60,000)	\$ 120,000	\$ 120,000

TRIGON EXPLORATION CANADA LTD.
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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

5. MINERAL PROPERTIES

March 31, 2005

	Ram	Bam	Zyena	Ganesh	Alliance	Other	Total
Acquisition costs							
Balance, beginning of period	\$ 1,143,874	45,519	\$ 101,972	\$ 693,374	\$ -	\$ 151,206	\$ 2,135,945
Additions during the period							
Planning and data	29,476	100	-	1,916	23,524	22,103	77,119
Permitting and recording	3,427	43	-	680	36,114	-	40,264
Staking	179	-	-	-	106,884	-	107,063
Equipment & Inventory	-	-	-	-	250,000	-	250,000
	<u>33,082</u>	<u>143</u>	<u>-</u>	<u>2,596</u>	<u>416,522</u>	<u>22,103</u>	<u>474,446</u>
Balance, end of period	<u>1,176,956</u>	<u>45,662</u>	<u>101,972</u>	<u>695,970</u>	<u>416,522</u>	<u>173,309</u>	<u>2,610,391</u>
Deferred exploration costs							
Balance, beginning of period	<u>1,249,442</u>	<u>51,151</u>	<u>-</u>	<u>320,536</u>	<u>-</u>	<u>29,998</u>	<u>1,651,127</u>
Additions during the period							
Sampling	-	1,677	-	-	-	-	1,677
Geology	2,063	100	-	-	-	-	2,163
Lab & Mineral analysis	57,467	5,949	-	2,858	-	45,090	111,364
Geophysics	351,683	-	-	-	15,433	600	367,716
Drilling	<u>557,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,268</u>	<u>-</u>	<u>870,755</u>
	<u>968,700</u>	<u>7,726</u>	<u>-</u>	<u>2,858</u>	<u>328,701</u>	<u>45,690</u>	<u>1,353,675</u>
Balance, end of period	<u>2,218,142</u>	<u>58,877</u>	<u>-</u>	<u>323,394</u>	<u>328,701</u>	<u>75,688</u>	<u>3,004,802</u>
Recoveries							
Balance, beginning of period	<u>(1,612,753)</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>(1,962,753)</u>
Additions during the period							
Option payments received	(611,345)	-	-	(117,858)	-	-	(729,203)
Management fees	<u>(18,761)</u>	<u>-</u>	<u>-</u>	<u>(3,536)</u>	<u>-</u>	<u>-</u>	<u>(22,297)</u>
	<u>(630,106)</u>	<u>-</u>	<u>-</u>	<u>(121,394)</u>	<u>-</u>	<u>-</u>	<u>(751,500)</u>
Balance, end of period	<u>(2,242,859)</u>	<u>-</u>	<u>-</u>	<u>(471,394)</u>	<u>-</u>	<u>-</u>	<u>(2,714,253)</u>
Written-off Properties							
Balance, beginning of period	<u>-</u>	<u>(96,670)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(96,670)</u>
Additions during the period	<u>-</u>	<u>(7,869)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,869)</u>
Balance, end of period	<u>-</u>	<u>(104,539)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,539)</u>
Total	\$ 1,152,239	\$ 0	\$ 101,972	\$ 547,970	\$ 745,223	\$ 248,997	\$ 2,796,402

TRIGON EXPLORATION CANADA LTD.
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NOTES TO THE FINANCIAL STATEMENTS
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5. MINERAL PROPERTIES (cont'd...)

2004						
	Ram	Bam	Zyena	Ganesh	Other	Total
Acquisition costs						
Balance, beginning of year	\$ 877,650	\$ 40,756	\$ 84,060	\$ 97,496	\$ 14,271	\$1,114,233
Additions during the year						
Permitting and recording	52,525	-	1,289	17,992	26,862	98,668
Planning and data	107,379	4,636	8,143	71,873	110,073	302,104
Staking	<u>106,320</u>	<u>127</u>	<u>8,480</u>	<u>506,013</u>	<u>-</u>	<u>620,940</u>
	<u>266,224</u>	<u>4,763</u>	<u>17,912</u>	<u>595,878</u>	<u>136,935</u>	<u>1,021,712</u>
Balance, end of year	<u>1,143,874</u>	<u>45,519</u>	<u>101,972</u>	<u>693,374</u>	<u>151,206</u>	<u>2,135,945</u>
Deferred exploration costs						
Balance, beginning of year	<u>327,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,690</u>	<u>336,887</u>
Additions during the year						
Geophysics	561,022	-	-	-	4,886	565,908
Laboratory and mineral analysis	227,750	21,850	-	105,324	-	354,924
Sampling	<u>133,473</u>	<u>29,301</u>	<u>-</u>	<u>215,212</u>	<u>15,422</u>	<u>393,408</u>
	<u>922,245</u>	<u>51,151</u>	<u>-</u>	<u>320,536</u>	<u>20,308</u>	<u>1,314,240</u>
Balance, end of year	<u>1,249,442</u>	<u>51,151</u>	<u>-</u>	<u>320,536</u>	<u>29,998</u>	<u>1,651,127</u>
Recoveries						
Balance, beginning of year	<u>(206,693)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(206,693)</u>
Additions during the year						
Option payments received	(1,369,490)	-	-	(350,000)	-	(1,719,490)
Management fees received	<u>(36,570)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,570)</u>
	<u>1,406,060</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>	<u>-</u>	<u>(1,756,060)</u>
Balance, end of year	<u>(1,612,753)</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>	<u>-</u>	<u>(1,962,753)</u>
Written-off during the year	<u>-</u>	<u>(96,670)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(96,670)</u>
Total	\$ 780,563	\$ -	\$ 101,972	\$ 663,910	\$ 181,204	\$1,727,649

TRIGON EXPLORATION CANADA LTD.
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NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2005

5. MINERAL PROPERTIES (cont'd...)

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and to the best of its knowledge, title to the properties are in good standing.

a) Ram property

During the year ended December 31, 2003, the Company purchased a 100% interest in the Ram property (consisting of the Ram, Hugo and Green claims) in the Southern Slave Lake area in the North West Territories by issuing 4,983,153 common shares valued at \$653,435 to related parties (Note 6). Thereafter, the Company staked additional interests in this area.

During the year ended December 31, 2004, the Company completed an option agreement with CDC whereby CDC can earn an initial 51% undivided ownership interest in the Ram property by paying \$50,000 (received), issuing 75,000 shares (issued) to the Company (Note 4) and funding \$1,450,000 of exploration work on the Ram property by September 30, 2005. As at March 31, 2005, CDC has funded \$2,187,528 for exploration work

CDC may also earn an additional 14% interest in the Ram property by funding an additional \$3,000,000 of exploration work on the property.

b) Bam property

During the year ended December 31, 2003, the Company purchased a 100% interest in the Bam property in the Southern Slave Lake area in the North West Territories by issuing 310,809 common shares valued at \$40,756 to related parties (Note 6). During the year ended December 31, 2004, the company determined the property was not economically viable and allowed the claims to lapse and accordingly, the property was written-off to operations.

A further amount of \$7,869 was written-off during the period ended March 31, 2005.

c) Zyena property

During the year ended December 31, 2003, the Company staked claims located north of Munn Lake in the Slave Lake Craton of the Northwest Territories.

d) Ganesh property

The Company holds a 100% interest in the Ganesh property (consisting of the IC and LO claims) in the Committee Bay area of Nunavut. During the year ended December 31, 2004, the Company entered into a letter agreement with CDC whereby CDC can earn a 49% interest in the Ganesh claims by making an initial payment of \$100,000 and fund expenditures as follows:

- Fund a maximum of \$250,000 (funded), reflecting the costs of sampling the Ganesh claims incurred by the Company.
- Fund a maximum of \$150,000, the amount being no greater than the costs of the sample processing, picking and probing program.

Upon CDC earning a 49% interest in the Ganesh property, a joint venture will be established with the Company, at which time CDC can earn up to an additional 11% interest in the Ganesh property, by funding a \$500,000 exploration program to earn the first additional 2% interest and fund an additional \$3,000,000 exploration program to earn the next additional 9% interest. The Company will be the operator of any exploration program on the Ganesh property up to the time preparation of a prefeasibility study is approved by the management committee appointed in accordance with the Agreement with CDC being the operator afterwards.

During the year ended December 31, 2004, the Company entered into an agreement with Committee Bay Resources Ltd. ("CBR"), which holds certain property interests in the Committee Bay area of Nunavut adjoining the IC claims. The Company was granted a 51% interest in respect of diamond interests with all other rights held by CBR. The Company will be responsible for its proportionate share of exploration programs on these claims.

e) Alliance (Fort Hope)

On January 18, 2005, the Company and Pele Mountain Resources Inc. ("Pele") entered into an option agreement relating to the Alliance Property and the Attawapiskat Property, both located in the James Bay Lowlands area of Northern Ontario. Under the terms of the option agreement, the Company:

- will be the operator during the option period.
- will purchase the operating assets of Pele for \$250,000.
- may earn a 50% interest in both properties by spending a total of \$1,500,000 by April 30, 2006.
- may increase its interest in both properties to 60% by spending an additional \$1,500,000 by April 30, 2008.
- is required to make an additional \$250,000 cash payment to Pele by January 17, 2006 to keep its Attawapiskat option in good standing.

f) Other

Other acquisition and deferred exploration costs pertain to future potential mineral properties.

TRIGON EXPLORATION CANADA LTD.
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6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares			
Common shares issued			
Balance as at December 31, 2002	1	\$ 1	\$ -
Issued for mineral properties	5,293,962	694,191	-
Private placements for cash	4,937,200	1,184,928	-
Issued for debt settlements	1,134,939	264,556	-
Stock-based compensation (Note 8)	-	-	21,500
Share issue costs	-	(51,524)	-
Balance as at December 31, 2003	11,366,102	2,092,152	21,500
Private placement for cash	5,087,777	2,289,500	-
Initial public offering	8,182,000	4,500,100	-
Agent's shares	100,000	55,000	-
Share issue costs	-	(1,270,154)	-
Agent's fee	186,402	(84,016)	84,016
Agent's warrants	-	(45,718)	45,718
Stock-based compensation	-	-	106,681
Balance as at December 31, 2004	24,922,281	\$ 7,536,864	\$ 257,915
Private placement for cash	4,048,000	1,700,160	-
Agent's shares	-	(92,297)	-
Share issue costs	-	(605,218)	-
Future Income Tax – Flow Through Shares	-	(136,013)	-
Agent's fee	-	-	14,870
Stock-based compensation	-	-	-
Balance as at March 31, 2005	28,970,281	\$ 8,403,496	\$ 272,785

Share consolidation

On October 29, 2003, the Company consolidated its capital stock on a 2:1 basis. All share and per share amounts have been restated to reflect this consolidation.

TRIGON EXPLORATION CANADA LTD.
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6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Share issuances

On March 31, 2003 the Company issued 5,293,962 Class B multiple voting shares at a value of \$694,191 to directors of the Company and to a corporation controlled by directors for the purchase of certain mineral properties valued at \$694,191. The purchase was based on the vendors historical cost of the mineral properties.

On March 31, 2003 the Company issued 249,539 Class B multiple voting shares at a value of \$52,060 to directors of the Company and to a corporation controlled by directors for the settlement of debts of \$52,060.

On March 31, 2003 the Company issued 208,333 Class B multiple voting shares at a price of \$0.24 per share to a director of the Company, pursuant to a private placement.

On November 20, 2003, the Company issued 1,675,000 units at a price of \$0.24 per unit pursuant to a non-brokered private placement. A total of 552,750 units were sold as "flow-through" securities and 1,122,250 were sold as "non-flow-through" securities. The flow-through units consisted of one flow-through Class B multiple voting share and one-half of one share purchase warrant. The non-flow-through units consisted of one non-flow-through Class B multiple voting share and one-half of one share purchase warrant. Each full share purchase warrant enables the holder to purchase one non-flow-through Class B multiple voting share of the Company for \$0.30 until November 20, 2006. The Company incurred \$18,251 of share issuance costs associated with this private placement.

On November 28, 2003, the Company issued 2,541,700 units at a price of \$0.24 per unit pursuant to a non-brokered private placement. A total of 691,666 units were sold as "flow-through" securities and 1,850,034 were sold as "non-flow-through" securities. The flow-through units consisted of one flow-through Class B multiple voting share and one-half of one share purchase warrant. The non-flow-through units consisted of one non-flow-through Class B multiple voting share and one-half of one share purchase warrant. Each full share purchase warrant enables the holder to purchase one non-flow-through Class B multiple voting share of the Company for \$0.30 until November 28, 2006. The Company incurred \$27,693 of share issuance costs associated with this private placement.

On December 12, 2003, the Company issued 512,167 units at a price of \$0.24 per unit pursuant to a non-brokered private placement. Each unit consisted of one Class B multiple voting share and one-half of one share purchase warrant. Each full share purchase warrant enables the holder to purchase one Class B multiple voting share of the Company for \$0.30 until December 12, 2006. The Company incurred \$5,580 of share issuance costs associated with this private placement.

On December 12, 2003, the Company issued 885,400 units at a price of \$0.24 per unit to directors of the Company and a corporation controlled by directors for the settlement of debt amounting to \$212,496. Each unit consisted of one Class B multiple voting share and one-half of one share purchase warrant. Each full share purchase warrant enables the holder to purchase one Class B multiple voting share of the Company for \$0.30 until December 12, 2006.

On March 26, 2004, the Company issued 4,660,055 units at a price of \$0.45 per unit pursuant to a private placement. Each unit consisted of one Class B multiple voting share and one-half of one share purchase warrant. Each full share purchase warrant enables the holder to purchase one Class B multiple voting share of the Company for \$0.60 until March 26, 2006. The Company incurred share issuance costs of \$200,895 and issued 186,402 units as agent's compensation in connection with the private placement. The agent's units have been recorded at a relative fair value of \$84,016 and applied against the proceeds allocated to capital stock in contributed surplus.

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6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

On April 29, 2004, the Company issued 427,722 units at a price of \$0.45 per unit for gross proceeds of \$192,475 pursuant to a private placement. The units consisted of one common share and one-half of one share purchase warrant. Each full share purchase warrant enables the holder to purchase one common share of the Company for \$0.60 until April 29, 2006.

On November 1, 2004, the Company completed its IPO and issued 3,091,000 flow-through common shares at a price of \$0.55 per flow-through share and issued 5,091,000 units at a price of \$0.55 per unit for gross proceeds of \$4,500,100. Each unit consists of one non-flow through common share and one-half of one warrant, with each whole warrant entitling the holder to purchase one common share of the Company for \$0.75 until May 1, 2007. The Company issued 100,000 non flow-through shares and 908,200 warrants as agent's compensation in connection with the IPO. The agent's shares have been recorded as share issue costs at a relative fair value of \$55,000, and agent warrants at a fair value of \$45,718. based on the Black-Scholes option pricing model, assuming a risk free rate of 2.90%, volatility of 56.96%, expect life of 1 year, and a dividend rate of 0.00%.

On March 3, 2005, the Company issued 4,048,000 flow-through common shares at a price of \$0.42 per unit for gross proceeds of \$1,700,160. This transaction was carried out as a brokered private placement. The Company incurred costs of \$228,310 associated with this private placement.

7. STOCK OPTIONS AND WARRANTS

Stock options

At the Company's Annual and Special Meeting of Shareholders held on June 24, 2004, shareholders approved an incentive stock option plan (the "Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value at time of issue. The Plan provides for the issuance of up to 10% of the Company's issued common shares as at the date of grant with each stock option having a maximum term of five years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

As at March 31, 2005, stock options were outstanding enabling the optionee to acquire the following number of common shares:

Number of Shares	Exercise Price	Expiry Date
50,000	\$ 0.55	December 3, 2005
345,993	0.20	March 31, 2006
170,000	0.55	December 3, 2007
475,000	0.55	December 3, 2009
525,000	0.55	January 17, 2010

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7. STOCK OPTIONS AND WARRANTS (cont'd...)

Stock option transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2002	-	\$ -
Granted	<u>345,993</u>	0.20
Outstanding at December 31, 2003	345,993	\$ 0.20
Granted	<u>695,000</u>	0.55
Outstanding at December 31, 2004	1,040,993	\$ 0.43
Granted	<u>525,000</u>	0.55
Outstanding at March 31, 2005	1,565,993	\$ 0.47
Number of options currently exercisable	1,565,993	\$ 0.47

Weighted average fair value of options granted during the year ended December 31, 2004 was \$0.12

Stock-based compensation

During the quarter ended March 31, 2005, the Company granted 525,000 options to senior officers. Each option gives the holder the right to acquire one share for \$0.55. These options expire on January 17, 2010. The fair value of the options is estimated to be \$14,900 based on the Black-Scholes option pricing model, assuming a risk free interest rate of 3.62%, volatility of 26% expected life of 5 years, and a dividend rate of 0.00%.

During the year ended December 31, 2004, the Company granted 695,000 options to directors, senior officers, employees and consultants. Each option gives the holder the right to acquire one share for \$0.55. These options expire at various points over the next five years. The fair value of the options is estimated to be \$106,681 based on the Black-Scholes option pricing model, assuming a risk free interest rate of 2.90% to 3.46%, volatility of 56.96% expected life of 1 to 5 years, and a dividend rate of 0.00%.

During the year ended December 31, 2003, the Company granted 345,993 options to a director in lieu of payment for services rendered, each option giving the holder the right to acquire one share for \$0.20, exercisable at any time over a three-year period. The fair value of the options is estimated to be \$21,500 based on the Black-Scholes option pricing model assuming a risk-free interest rate of 3.99%, volatility of 0.01%, expected life of 3 years, and a dividend rate of 0.00%.

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7. STOCK OPTIONS AND WARRANTS (cont'd...)

Warrants

As at March 31, 2004, the Company had outstanding share purchase warrants, enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
908,200	\$ 0.55	November 1, 2005
2,423,228	0.60	March 26, 2006
213,861	0.60	April 29, 2006
837,500	0.30	November 20, 2006
1,270,850	0.30	November 28, 2006
698,784	0.30	December 12, 2006
2,545,500	0.75	May 1, 2007

Warrant transactions are summarized as follows:

Outstanding at December 31, 2002	-
Issued	<u>2,807,133</u>
Outstanding at December 31, 2003	2,807,133
Issued	<u>6,090,789</u>
Outstanding at December 31, 2004	8,897,922
Issued	<u>0</u>
Outstanding at March 31, 2005	<u>8,897,922</u>

8. RELATED PARTY TRANSACTIONS

The Company entered into the following additional transactions with related parties not disclosed elsewhere in these financial statements.

- Paid or accrued laboratory and mineralogical analysis costs, included in deferred exploration costs, of \$62,506 (March 31, 2004 - \$34,730) to a corporation controlled by directors of the Company.
- Paid or accrued planning and data costs of NIL, included in deferred exploration costs, (March 31, 2004 - \$20,001) to a corporation controlled by a director of the Company.
- Paid or accrued wages, which are capitalized to mineral property planning and data costs, of \$42,985 (March 31, 2004 - \$20,001) to a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

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9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the period ended March 31 2004 was the receipt of 75,000 Sudbury Contact Mines Limited shares with a value of \$120,000 (Note 4), which was included in mineral property recoveries.

10. COMMITMENTS

The Company has entered into an operating lease agreement for premises. The annual lease commitments under the lease are approximately as follows:

2005	\$	27,991
2006		27,991
2007		27,991
2008		27,991
2009		27,991
		<u>27,991</u>
	\$	<u>139,955</u>

The Company has also entered into an agreement to acquire drilling equipment in report of which \$200,000 has been included in prepaid expenses as at March 31, 2005.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	March 31, 2005	March 31, 2004	December 31, 2004
Loss before income taxes	\$ (202,333)	\$ (152,313)	(907,430)
Expected income tax (recovery)	\$ (72,031)	\$ (54,223)	(323,046)
Items not deductible for income tax purposes	2,936	1,484	248,116
Items deducted for income tax purposes	(110,359)	(23,954)	(94,104)
Deductible temporary differences	-	(74,043)	
Other items	(80,000)	10,548	10,909
Unrecognized benefit of non-capital losses	<u>(345,764)</u>	<u>-</u>	<u>-</u>
Future income tax (recovery)	\$ (605,218)	\$ (140,188)	(158,125)

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11. INCOME TAXES (cont'd...)

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

	March 31, 2005	March 31, 2004	December 31, 2004
Future income tax assets (liabilities):			
Non-capital loss carry forwards	\$ 280,116	\$ 114,899	\$ 218,057
Equipment	12,000	1,369	5,642
Share issue costs	327,408	92,148	372,746
Mineral properties	<u>492,061</u>	<u>(226,353)</u>	<u>(256,586)</u>
	1,111,585	(17,937)	339,859
Valuation allowance	<u>(1,111,585)</u>	<u>--</u>	<u>(339,859)</u>
Net future income tax liability	\$ -	\$ (17,937)	\$ -

During the year ended December 31, 2003, the Company and vendors jointly elected to transfer certain Mineral properties acquired for shares at a nominal amount for tax purposes, creating a future income tax liability of \$247,130 which has been charged to deficit as a related party transaction adjustment.

12. SEGMENTED INFORMATION

The Company conducts substantially all of its operations in Canada in one business segment, being the acquisition and exploration of mineral properties.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, receivables, long-term investment, accounts payable and accrued liabilities and accounts payable-related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Credit risk

The financial instruments that potentially expose the Company to a concentration of credit risk are cash and equivalents. The Company limits its exposure to credit loss by placing its cash with high quality financial institutions.

14. SUBSEQUENT EVENTS

On April 7, 2005, the Company issued 713,905 flow-through common shares at a price of \$0.42 per unit for gross proceeds of \$299,840.