



UNIGOLD INC.

First Quarter – Interim Report

March 31, 2005

Notice to Readers

The consolidated financial statements and the accompanying notes thereto contained in this report have not been reviewed or audited by the Company's auditor.

UNIGOLD INC.

Form 51-102F1

Management Discussion and Analysis of Financial Results

The following discussion and analysis of the operating results and financial condition of Unigold Inc. ("Unigold" or the "Company") has been prepared as of May 20, 2005 and should be read in conjunction with the consolidated financial statements of the Company and notes thereto for the quarter ended March 31, 2005. Said financial statements were prepared in accordance with Canadian generally accepted accounting principles.

Nature of Operations

The Company is in the process of exploring its mineral properties located in the Dominican Republic and has not as yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete its exploration program and upon future profitable production or proceeds from disposition of such properties.

Forward Looking Statements

This Management Discussion and Analysis of Financial Results, contains certain forward-looking statements related to, among other things, expected future events and the financial and operating results of the Company. Forward-looking statements are subject to inherent risks and uncertainties including, but not limited to, market and general economic conditions, changes in regulatory environments affecting the Company's business and the availability and terms of financing. Consequently, actual results and events may differ materially from those included in, contemplated or implied by such forward-looking statements for a variety of reasons.

Overview of Exploration Activities

During the first quarter of 2005, \$302,623 was spent on exploration expenditures on the Neita property in the Dominican Republic. This brings the inception to date amount spent to \$2,219,263. The main focus has been on the Los Candelones Gold Deposit where 19 diamond drill holes have been completed to date by the Company totaling about 2300 meters. A brecciated and silicified central core was encountered with gold grades starting near surface of up to 4.4 grams per tonne (g/t) gold over 25 meters and 2.2 g/t gold over 61 meters and including 3.1 g/t gold over 31 meters. There is significant potential to increase the tonnage of this deposit at depth, along the strike and in parallel structures as outlined by the IP chargeability. Major exploration expenditures during the quarter were \$93,428 for drilling and \$60,466 for laboratory analysis.

The diamond drilling has now demonstrated the on strike and down dip continuation of the 25 to 30 meter thick gold core of epithermal mineralization which grades from 1.0 to 4.4 g/t gold over 4 cross-sections located 50 meters apart. It is expected that this mineralized zone will be relatively continuous for at least an additional 400 meters to the southeast with small local fault offsets and join with the Los Candelones East mineralization. At Los Candelones East, mineralization in trenches assayed better than 1.0 g/t gold over about 100 meters and drill hole SC35 ran 1.5 g/t gold over 48 meters.

The existing trenched and diamond drilled mineralized area is a small part of the 1200 meter long by 600 meter wide gold in soil anomaly and coincident IP chargeability high which represents sulphide mineralization.

Due to insufficient funds the drilling program was temporarily halted in early April pending additional financing.

Selected Annual Information

The Company's selected annual information for the three most recently completed financial years as at and for the years ending December 31st was as follows:

	2004	2003	2002
Total revenue	\$ 4,497	\$ 3,438	\$ 361
Net (loss) income	(1,033,169)	(1,226,198)	1,057,294
Net (loss) income per share – basic and diluted	(0.04)	(0.07)	0.15
Total assets	3,558,140	3,021,592	1,376,542
Total liabilities	141,668	148,008	264,162
Shareholder's equity	3,413,641	2,870,753	1,109,549

The net income in 2002 includes a gain of \$1,805,462 as a result of a settlement with a creditor of \$1,588,280 of principal and \$267,182 of accrued interest for a cash payment of \$50,000.

Results of Operations

For the quarter ended March 31, 2005, the Company recorded a net loss of \$142,533 or \$0.004 per share compared with a net loss of \$283,761 or \$0.01 per share for the same period in 2004.

Revenue is limited to interest earned on cash balances and term deposits and amounted to \$2,143 in the first quarter of 2005 compared to \$729 for the same period in 2004.

Administrative expenses decreased to \$144,676 in the first quarter of 2005. This compares to \$284,490 spent in the first quarter of 2004. Management is continuously reviewing these expenditures in order to reduce or eliminate overhead costs in order to allocate as much cash as possible to the exploration activities of the Company.

Quarterly Information

The following is a summary of selected financial information for the quarterly periods indicated (all amounts are in \$000's, except for per share amounts):

	<u>2005</u>	<u>2004</u>				<u>2003</u>		
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Net Revenues	\$2	\$2	nil	\$1	\$1	\$1	nil	\$1
Net income (loss)	\$(143)	\$(372)	\$(122)	\$(255)	\$(284)	\$(323)	\$(251)	\$(150)
Per share	\$(0.004)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.01)

Liquidity and Capital Resources

Cash on hand as of March 31, 2005 was \$314,481, down \$383,544 from the year ended December 31, 2004. As at March 31, 2005, the Company has working capital of \$188,594.

The Company has no producing properties and, consequently, has no current operating income or cash flow. Financing of the Company's activities to date has been primarily obtained from equity issues. The continuing development of the Company's properties therefore depends on the Company's ability to obtain additional required financing. The Company is currently seeking additional financing as the current working capital is not sufficient to carry out the Company's activities. In order to maintain as much cash in the treasury as possible, the Company is reviewing all overhead costs in order to minimize or eliminate expenditures.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements, no capital lease agreements and no long-term debt obligations.

Proposed Transactions

There are no proposed transactions that will materially affect the performance of the Company.

Other

The Company's authorized share capital consists of an unlimited number of common shares of which 33,224,735 common shares are outstanding. The Company has 10,562,501 share purchase warrants outstanding with exercise prices ranging from \$0.30 to \$0.55. The Company also has outstanding 2,735,000 stock options, with exercise prices ranging from \$0.25 to \$0.75 with expiry dates from February 13, 2008 to November 10, 2009 and broker warrants exercisable to purchase up to 400,000 units at a price of \$0.25 per unit until October 12, 2006. Each unit consists of one common share and one warrant, with each warrant entitling the holder thereof to purchase one common share of the Company until October 12, 2006 at a price of \$0.35 per share.

Outlook

As a result of insufficient funds the drilling program has been temporarily halted and the Company is currently seeking financing and/or a joint-venture agreement with a major company in order to continue the drilling program on the Los Candelones Gold Deposit. When re-started, the drilling program will be designed to outline higher grade zones, confirm the mineralization continuity on the sulphide zones as shown by the IP and also to confirm gold mineralization continuity within the sections of the other chargeability zones where they have not yet been tested by diamond drilling. It is expected that with the additional drilling, sufficient gold mineralization will be outlined to undertake an independent mineral resource estimate.

Qualified Person

The foregoing scientific and technical information has been prepared or reviewed by John P. Thompson, the President and Chief Executive Officer of the Company. Mr. Thompson is a "qualified person" within the meaning of National Instrument 43-101. Mr. Thompson also supervises all work associated with the Company's exploration programs in the Dominican Republic.

Risks and Uncertainties

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential successes lie in its ability to develop, exploit and generate revenue out of mineral deposits. Revenues, profitability and cash flow from any future mining operations involving the Company will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices have fluctuated widely and are affected by numerous factors beyond the Company's control.

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests.

Additional information relating to the Company may be accessed by visiting the SEDAR website at www.sedar.com.

UNIGOLD INC.*(A Development Stage Company)***CONSOLIDATED BALANCE SHEETS***(Unaudited - Canadian \$)*

	As at March 31, 2005	As at December 31, 2004
Current assets		
Cash	\$ 314,481	\$ 698,025
Sundry receivables	32,473	44,487
Prepaid expenses	19,432	19,432
	<u>366,386</u>	<u>761,944</u>
Property receivable <i>(note 5)</i>	238,271	238,271
Equipment <i>(note 4)</i>	219,202	232,676
Mineral Properties <i>(note 5)</i>	308,609	308,609
Deferred exploration costs <i>(note 5)</i>	2,219,263	1,916,640
Public listing status	100,000	100,000
	<u>\$ 3,451,731</u>	<u>\$ 3,558,140</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 177,792	\$ 141,668
Contingencies <i>(note 10)</i>		
Non-controlling interest	<u>2,831</u>	<u>2,831</u>
Shareholders' Equity		
Common shares <i>(note 6(a))</i>	8,343,302	8,343,302
Share purchase warrants <i>(note 6(b))</i>	984,782	984,782
Contributed surplus	958,633	958,633
Deficit	<u>(7,015,609)</u>	<u>(6,873,076)</u>
	<u>3,271,108</u>	<u>3,413,641</u>
	<u>\$ 3,451,731</u>	<u>\$ 3,558,140</u>

Approved on Behalf of the Board:

John P. Thompson - *Director*Joseph Del Campo - *Director**See accompanying notes to the consolidated financial statements*

UNIGOLD INC.*(A Development Stage Company)***CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT***(Unaudited - Canadian \$)*

	Three months ended March 31,	
	2005	2004
Revenue		
Interest income	\$ 2,143	\$ 729
Administrative expenses		
Salaries and wages	61,955	82,840
Listing and shareholder information	25,009	39,603
Travel, promotion and business development	4,738	92,804
General and administrative expenses	37,658	33,375
Professional fees	152	13,723
Consulting fees	9,902	7,600
Foreign exchange loss (gain)	2,098	(10)
Amortization	3,164	14,555
	<u>144,676</u>	<u>284,490</u>
Net loss for the period	(142,533)	(283,761)
Deficit, beginning of period	<u>(6,873,076)</u>	<u>(5,153,807)</u>
	(7,015,609)	(5,437,568)
Change in accounting policy <i>(note 2)</i>	<u>---</u>	<u>(686,100)</u>
Deficit, end of period	<u>\$(7,015,609)</u>	<u>\$ (6,123,668)</u>
Loss per share – Basic and diluted	<u>\$ (0.004)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	33,224,735	26,760,847

See accompanying notes to the consolidated financial statements

UNIGOLD INC.*(A Development Stage Company)***CONSOLIDATED STATEMENTS OF CASH FLOWS***(Unaudited - Canadian \$)*

	Three months ended	
	March 31,	
	2005	2004
Cash flows from operating activities		
Net loss for the period	\$ (142,533)	\$ (283,761)
Add items not requiring cash:		
Amortization	<u>3,164</u>	<u>14,555</u>
	(139,369)	(269,206)
Net changes in non-cash working capital balances <i>(note 9)</i>	<u>48,138</u>	<u>(132,089)</u>
	<u>(91,231)</u>	<u>(401,295)</u>
Cash flows from financing activities		
Exercise of share purchase warrants	<u>---</u>	<u>7,500</u>
	---	7,500
Cash flows from investing activities		
Deferred exploration costs	(292,313)	(271,764)
Acquisition of equipment	<u>---</u>	<u>(3,002)</u>
	<u>(292,313)</u>	<u>(274,766)</u>
Decrease in cash	(383,544)	(668,561)
Cash, beginning of period	<u>698,025</u>	<u>1,393,902</u>
Cash, end of period	<u>\$ 314,481</u>	<u>\$ 725,341</u>

Supplemental Information

Income taxes paid	---	---
Interest paid	---	---

See accompanying notes to the consolidated financial statements

UNIGOLD INC.

(A Development Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited - Canadian \$)

As at March 31, 2005 and for the year ended December 31, 2004

1. NATURE OF OPERATIONS AND GOING CONCERN

Unigold Inc. (the "Company") is a development stage company and is in the process of exploring its mineral properties in the Dominican Republic.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values. The Company's mining assets are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations, and political uncertainties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current state of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The Company has a need for equity capital and financing for working capital and exploration requirements. Because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

The accompanying consolidated financial statements do not include any adjustments relating to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. CHANGES IN ACCOUNTING POLICIES

Stock-Based Compensation:

Effective January 1, 2004, the Company adopted the revisions to the CICA Handbook Section 3870, which require a fair value based method of accounting to be applied to all stock-based compensation arrangements. The fair value of each option is accounted for in operations, over the vesting period of the options, and the related credit is included in the contributed surplus.

During the prior year, as permitted by the standard, the Company had elected not to follow the fair value based method of accounting for stock-based compensation to employees and directors and disclosed the pro forma effect of accounting for stock options granted to employees and directors using the fair value based method.

As a result of applying this change on a retroactive basis without restatement of comparative figures, a cumulative adjustment to the opening balance of deficit of \$686,100 has been made.

The Company's stock-based compensation plans are described in Note 6(c).

Asset Retirement Obligations:

Effective January 1, 2004, the Company adopted the new CICA accounting standard on "Asset retirement obligations". Under the new standard the Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mining properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral properties and deferred exploration costs and amortized over the useful life of the properties. As the Company does not currently have any legal obligations relating to the reclamation of its mineral properties, the adoption of this standard had no impact on the accounts of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies are summarized as follows:

Principles of Consolidation:

These consolidated financial statements include the accounts of the Company, which is incorporated in Canada under the Ontario Business Corporations Act, and its wholly owned subsidiary, Unigold Resources Inc., which is incorporated in Canada under the Canada Business Corporations Act, and its 96.7% owned subsidiary, Unigold Dominicana, S.A., which is incorporated in the Dominican Republic.

Foreign Exchange Translation:

The Company considers the Canadian dollar to be the functional currency of its primary operations and, accordingly, amounts denominated in other currencies are translated into Canadian dollars using the temporal method. This method translates monetary balances at the rates of exchange at the dates of the consolidated balance sheet, non-monetary balances at historical exchange rates and revenue and expense items at average exchange rates during the year, except for amortization which is translated at rates pertaining to the related equipment. The resulting gains and losses are included in the consolidated statements of operations and deficit.

Mineral Properties and Deferred Exploration:

Mineral properties are recorded at the direct cost of acquisition. Deferred exploration costs represent the costs incurred in conducting exploration work for unknown or unproven ore deposits. These costs are deferred until the commencement of commercial mining operations, or until such time that the interests in the associated properties are disposed of. Deferred exploration costs associated with projects, which prove to be economically unviable, are written off. Proceeds derived from the full or partial disposal of interests in properties are credited against the carrying cost of the related property.

The amounts shown for both mineral properties and deferred exploration costs represent costs incurred to date and do not necessarily reflect present or future values.

The Company reviews its mineral properties on an annual basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. In reviewing its mineral properties, the Company estimates the potential future cash flows expected to result from each asset and its eventual disposition. If the sum of the undiscounted, expected potential future cash flow is less than the carrying value of the asset, an impairment loss is recognized. It is reasonably possible, based on existing

knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write down.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expense during the report period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Loss Per Share:

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Public Listing Status:

The public listing status was acquired as a result of a business combination in a prior year and is considered to have an indefinite life. Should the Company determine that there is an impairment in the value of this asset, an appropriate write down of value will be charged to operations.

Equipment and Amortization:

Equipment is recorded at cost. The equipment noted below is amortized over their estimated useful lives using the following annual rates and methods.

Office furniture and equipment	20% declining balance
Computer equipment	30% declining balance
Vehicles	30% declining balance
Field equipment	20% declining balance

Amortization of equipment related to exploration activities has been capitalized to deferred exploration costs.

Income Taxes:

The Company uses the liability method of accounting for income taxes. Under this method of tax allocation, future income taxes are determined based on the differences between the financial reporting amounts and tax bases of assets and liabilities. These income tax assets and liabilities are measured using the substantively enacted tax rates that are expected to be in effect in the periods in which the income tax assets and liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

4. EQUIPMENT

	<u>As at March 31, 2005</u>			<u>As at December 31, 2004</u>		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Office furniture and equipment	\$ 25,278	\$ 9,453	\$ 15,825	\$ 25,278	\$ 8,620	\$ 16,658
Computer equipment	65,655	34,180	31,475	65,655	31,628	34,027
Vehicles	59,901	23,314	36,587	59,901	20,347	39,554
Field equipment	197,829	62,514	135,315	197,829	55,392	142,437
	<u>\$348,663</u>	<u>\$129,461</u>	<u>\$219,202</u>	<u>\$348,663</u>	<u>\$115,987</u>	<u>\$232,676</u>

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

Mineral properties and deferred exploration costs consist of the following:

	Balance, Dec. 31, 2003			Balance, Dec. 31, 2004			Balance, Mar. 31, 2005
	Balance	Additions	Sale	Balance	Additions		
<u>Mineral properties</u>							
Neita	\$ 159,726	\$ 65,456	\$ ---	\$ 225,182	\$ ---		\$ 225,182
Sabaneta	153,726	135,000	(288,726)	---	---		---
Los Guandules	83,427	---	---	83,427	---		83,427
	<u>\$ 396,879</u>	<u>\$ 200,456</u>	<u>\$(288,726)</u>	<u>\$ 308,609</u>	<u>\$ ---</u>		<u>\$ 308,609</u>
<u>Deferred exploration costs</u>							
Neita	\$ 817,784	\$ 1,098,856	\$ ---	\$ 1,916,640	\$ 302,623		\$ 2,219,263
Sabaneta	---	---	---	---	---		---
Los Guandules	---	---	---	---	---		---
	<u>\$ 817,784</u>	<u>\$ 1,098,856</u>	<u>---</u>	<u>\$ 1,916,640</u>	<u>\$ 302,623</u>		<u>\$ 2,219,263</u>
Total	<u>\$ 1,214,663</u>	<u>\$ 1,299,312</u>	<u>\$(288,726)</u>	<u>\$ 2,225,249</u>	<u>\$ 302,623</u>		<u>\$ 2,527,872</u>

Neita and Sabaneta Properties

In July 2002, the Dominican Republic granted to Unigold Resources Inc. 100% of the exploration rights for gold, silver, zinc, copper and all associated minerals on both the Neita and Sabaneta properties, as well as a sole and exclusive option for the commercial mining of the mineral deposits. The initial duration of the Neita and Sabaneta fiscal reserve contracts was for six months, with two one-year extensions, after which the properties are required to be converted to exploration concessions. An exploration concession is issued for three years plus two one-year extensions after which it must be converted to an exploitation licence which is issued for 75 years.

The Neita Property covers an area of 25,221 hectares in Central Cordillera of northwestern Dominican Republic. Pursuant to the Neita Exploration Contract, the Dominican Republic granted the Company the exploration rights for gold, silver, zinc, copper and all associated minerals in the property, as well as the sole and exclusive option for the commercial mining of the mineral deposits. The Company is required to pay to the Dominican Republic surface tax in a nominal amount, as well as pay the following amounts:

- (a) US\$30,000 on the day of signing the contract (paid);
- (b) US\$20,000 on July 10, 2003 (paid);
- (c) US\$50,000 on July 10, 2004 (paid);
- (d) US\$50,000 on July 10, 2005.

In the event that mining commences on the Neita property, the Company will be obligated to pay tax equal to 25% of its net taxable income, plus a further 5% of net taxable income to municipalities, as well as payment of the aforementioned surface tax.

According to the mining laws of the Dominican Republic, the same entity may not be granted one or more exploration concessions exceeding 30,000 hectares in the aggregate. Due to this limitation, the Company through Unigold Resources Inc. has applied for an exploration concession on the Neita property which covers an area of 25,221 hectares and has sold its mineral rights in respect of the Sabaneta property which totals 55,720 hectares to two separate Dominican companies, Inversiones Mineras Sabaneta, S.A. (27,600 hectares) and Inversiones Mineras Aldajo, S.A. (28,120 hectares) for total consideration to consist of US\$200,000 in aggregate. The Company and the two Dominican companies have agreed to postpone the payment until the concessions have been granted. The Canadian dollar equivalent of \$238,271 is reflected as property receivable on the balance sheet.

Los Guandules

On February 16, 2004, the Company entered into a definitive agreement with Americana de Explotaciones Mineras, S.A. ("Americana"), a Dominican private company, and the shareholders thereof relating to the acquisition by the Company of the Los Guandules concession in the Municipalities of Elias Pina and Dajabon, Dominican Republic. Under the terms of the agreement, in consideration for the payment of US\$30,000 (which has been previously paid) and the issue of an aggregate of 330,000 common shares of the Company, the Company will be granted an option to acquire, at its election, the rights of Americana under the Los Guandules concession agreement or all of the shares of Americana for the price of \$1.00 at any time for a period of five years. Completion of the transaction is subject to the receipt of all required regulatory approvals and the issuance of 330,000 common shares of the Company. The only material asset or liability of Americana is the Los Guandules property.

6. SHARE CAPITAL

(a) Common Shares

Authorized - unlimited number of common shares without par value

Issued – 33,224,735 common shares

No share capital transactions occurred during the first quarter of 2005. Transactions during the year ended December 31, 2004 were as follows:

	Number of Shares	Amount
Balance, December 31, 2003	26,758,069	\$ 7,429,779
Shares Issued:		
Private placement (i)	6,000,000	1,000,000
Share purchase warrants exercised	466,666	144,666
Share issue costs	---	(231,143)
<u>Balance, December 31, 2004</u>	<u>33,224,735</u>	<u>\$ 8,343,302</u>

- (i) On October 12, 2004 the Company closed a private placement of 6,000,000 units of the Company ("Units") at a price of \$0.25 per Unit for gross proceeds of \$1,500,000. PowerOne Capital Markets Limited (the "Agent") sold 4,000,000 Units for gross proceeds of \$1,000,000 and the Company sold 2,000,000 Units to accredited investors resident in the Province of Quebec for gross proceeds of \$500,000. Each Unit consisted of one common share (a "Common Share") and one warrant, with each warrant entitling the holder thereof to purchase one common share of the Company at any time for a period of 24 months following the closing date at a price of \$0.35. The gross proceeds have been prorated to common shares and share purchase warrants based on the relative fair value of each component, as follows: shares - \$1 million; share purchase warrants - \$500,000. The Black-Scholes option pricing model was used to determine the fair market value of the warrants using the following assumptions: expected dividend yield: 0%; expected volatility: 100%; risk-free interest rate: 4.0%; and an expected life of two years. For its services in connection with this offering, the Agent has been paid a cash commission of \$80,000 and has been issued a broker warrant exercisable to purchase up to 400,000 Units at a price of \$0.25 per Unit for a period of two years after the closing date. The fair value of the brokers warrants, estimate to be \$52,000, has been included in contributed surplus. The Black-Scholes option pricing model was used to determine the fair market value of the broker warrants using the following assumptions: expected dividend yield: 0%; expected volatility: 100%; risk-free interest rate: 4.0%; and an expected life of two years.

(b) Share Purchase Warrants

As at March 31, 2005, the following share purchase warrants are outstanding:

<u>Exercise Price</u>	<u>Number of Shares</u>	<u>Estimated Value</u>	<u>Expiry Date</u>
\$0.30	410,500	\$ 72,248	July 4, 2005
\$0.55	3,023,334	256,234	Oct 9, 2005
\$0.30	912,000	136,800	Oct 9, 2005
\$0.55	166,667	12,500	Oct 20, 2005
\$0.30	50,000	7,000	Oct 20, 2005
\$0.35	6,000,000	500,000	Oct 12, 2006
	<u>10,562,501</u>	<u>\$ 984,782</u>	

A summary of share purchase warrants outstanding and changes during the periods indicated is presented below:

	<u>March 31, 2005</u>			<u>December 31, 2004</u>		
	<u>Number</u>	<u>Weighted average exercise price</u>	<u>Fair value</u>	<u>Number</u>	<u>Weighted average exercise price</u>	<u>Fair value</u>
Balance, beginning of year	10,562,501	\$0.42	\$ 984,782	5,445,833	\$0.44	\$ 552,781
Issued	---			6,000,000	\$0.35	500,000
Expired	---			(416,666)	\$0.75	(20,833)
Exercised	---			(466,666)	\$0.21	(47,166)
Balance, end of period	<u>10,562,501</u>	<u>\$0.42</u>	<u>\$ 984,782</u>	<u>10,562,501</u>	<u>\$0.42</u>	<u>\$ 984,782</u>

(c) Stock-based Compensation***Stock option plan***

The Company has a stock option plan (the "Plan"), which was approved by the shareholders on May 7, 2003. The purpose of the Plan is to attract, retain and motivate management, staff and consultants by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth. The maximum number of options to be issued under the plan shall not exceed 10% of the total number of common shares issued and outstanding. The options are non-transferable and may be granted for a term not exceeding ten years. The exercise price of the options shall be determined by the board of directors on the basis of the market price of the common shares, subject to all applicable regulatory requirements.

Share purchase plan

The Company has a share purchase plan that provides the directors of the Company with the authority to select those employees and members of management of the Company and designated affiliates who may participate in the share purchase plan. The Company matches the participant's contribution, which cannot exceed ten per cent of the participant's basic annual remuneration, on a quarterly basis and each participant is then issued Common Shares having a value equal to the aggregate amount contributed to the share purchase plan by the participant and the Company. The purchase price per share is the weighted average price of the Common Shares on a stock exchange for the calendar quarter in respect of which the Common Shares are issued. Such Common Shares are delivered to participants 12 months following their date of issue. A maximum of 850,000 Common Shares may be issued pursuant to the share purchase plan. To date, no Common Shares have been issued pursuant to the share purchase plan.

Share Bonus Plan

The share bonus plan permits Common Shares to be issued as a discretionary bonus to employees and management of the Company and designated affiliates. A maximum of 200,000 Common Shares may be issued pursuant to the share bonus plan. To date, no Common Shares have been issued pursuant to the share bonus plan.

A summary of the status of the Stock Option Plan as at March 31, 2005 and as at December 31, 2004 and changes during the periods ended on those dates is presented below:

	<u>March 31, 2005</u>		<u>December 31, 2004</u>	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of year	2,735,000	\$0.49	2,415,000	\$0.60
Granted	---	---	830,000	\$0.25
Exercised	---	---	---	---
Cancelled / Expired	---	---	(510,000)	---
Outstanding, end of year	<u>2,735,000</u>	<u>\$0.49</u>	<u>2,735,000</u>	<u>\$0.49</u>

As at March 31, 2005, the Company had stock options issued to directors, officers and employees of the Company outstanding as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
985,000	\$0.75	February 13, 2008
135,000	\$0.33	May 7, 2008
270,000	\$0.40	August 21, 2008
515,000	\$0.48	October 9, 2008
<u>830,000</u>	<u>\$0.25</u>	<u>November 10, 2009</u>
<u>2,735,000</u>		

7. INCOME TAXES

The estimated taxable income for the period is nil. Tax assets arising from differences in tax values and accounting values have been reduced by an equivalent valuation allowance. The valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some portion or all of the future tax assets will be realized.

For further information on the Company's actual losses for tax purposes, refer to Note 7 of the December 31, 2004 audited consolidated financial statements. The benefit of these losses and the estimated loss for the period ended have not been recognized in these unaudited consolidated financial statements.

8. RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2005, the Company incurred costs of \$4,500 (2004 - \$7,600) for consulting services provided by its directors and officers. See also note 10.

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

9. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operating and investing activities consists of the following:

	<u>2005</u>	<u>2004</u>
Sundry receivables	\$ 12,014	\$ 922
Accounts payable and accrued liabilities	<u>36,124</u>	<u>(133,011)</u>
	<u>\$ 48,138</u>	<u>\$ (132,089)</u>

10. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

The Company is committed to a minimum amount rental under a long-term lease for premises which expires January 31, 2006. Minimum rental commitments under the lease are \$66,560. Minimum rental commitments for successive years are as follows: 2005 (April – December) - \$59,904; 2006 - \$6,656.

The Company is also a party to certain management contracts. These contracts contain clauses requiring additional payments be made upon the change of control of the Company, the likelihood of which is not determinable.

During 2004, the Company was named as a defendant in two statements of claim in the Dominican Republic. A former consultant of the Company who is seeking damages in the amount of 700,000 Pesos (approximately Canadian \$30,000) for severance and pain and suffering filed the first claim. The second claim was filed by a tenant of one of the Company's mineral properties for damages in the amount of 2,000,000 Pesos (approximately Canadian \$85,000) for land use. The Company and its Dominican legal advisers believe that both actions are without merit and will continue to vigorously contest both claims. As the outcome of these claims is not determinable, no provision for the contingent loss has been reflected in these consolidated financial statements.



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