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**ORKO GOLD CORPORATION  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
OCTOBER 31, 2004 AND 2003**

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MANNING ELLIOTT  
CHARTERED ACCOUNTANTS

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## AUDITORS' REPORT

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To the Shareholders of  
Orko Gold Corporation

We have audited the balance sheets of Orko Gold Corporation as at October 31, 2004 and 2003 and the 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 from 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 financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2004 and 2003 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Business Corporations Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Manning Elliott*

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

December 3, 2004

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**ORKO GOLD CORPORATION**  
**BALANCE SHEETS**  
**AS AT OCTOBER 31, 2004 AND 2003**

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	2004 \$	2003 \$
ASSETS		
CURRENT ASSETS		
Cash	43,591	250,072
Accounts receivable	<u>4,076</u>	<u>11,757</u>
	47,667	261,829
INVESTMENTS (Note 3)	10,439	10,439
CAPITAL ASSETS (Note 4)	6,650	7,956
MINERAL PROPERTIES (Note 5)	<u>-</u>	<u>66,000</u>
	<u>64,756</u>	<u>346,224</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>43,771</u>	<u>54,524</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 6)	4,429,559	3,893,559
CONTRIBUTED SURPLUS	32,852	-
SUBSCRIPTIONS RECEIVED (Note 6)	-	374,000
DEFICIT	<u>(4,441,426)</u>	<u>(3,975,859)</u>
	<u>20,985</u>	<u>291,700</u>
	<u>64,756</u>	<u>346,224</u>

APPROVED BY THE BOARD

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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**ORKO GOLD CORPORATION**  
**STATEMENT OF OPERATIONS AND DEFICIT**  
**FOR THE YEARS ENDED OCTOBER 31, 2004 AND 2003**

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	2004 \$	2003 \$
EXPLORATION AND DEVELOPMENT EXPENSES	<u>40,755</u>	<u>273,976</u>
GENERAL EXPENSES		
Amortization	1,714	-
Bank charges and interest	599	1,239
Consulting fees	69,688	69,363
Exchange loss (gain)	244	(2,821)
Insurance	4,971	-
Investor and public relations	4,755	1,575
Management fees	96,000	41,700
Office and miscellaneous	22,629	23,501
Professional fees	42,666	64,233
Rent	24,000	28,000
Stock-based compensation	32,852	-
Telephone and communications	2,612	-
Transfer agent and filing fees	20,629	20,891
Travel and entertainment	<u>36,860</u>	<u>55,730</u>
	<u>360,219</u>	<u>303,411</u>
OTHER ITEMS		
Loss on property abandoned	66,000	-
Interest	(1,407)	(376)
Gain on sale of investments	<u>-</u>	<u>(111,609)</u>
	<u>64,593</u>	<u>(111,985)</u>
NET LOSS FOR THE YEAR	465,567	465,402
DEFICIT - BEGINNING OF YEAR	<u>3,975,859</u>	<u>3,510,457</u>
DEFICIT - END OF YEAR	<u>4,441,426</u>	<u>3,975,859</u>
BASIC AND DILUTED LOSS PER SHARE	<u>0.02</u>	<u>0.04</u>

**ORKO GOLD CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED OCTOBER 31, 2004 AND 2003**

	2004 \$	2003 \$
CASH AND CASH EQUIVALENTS FROM (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(465,567)	(465,402)
Items not involving cash		
Amortization	1,714	-
Gain on sale of investments	-	(111,609)
Loss on abandonment of mineral property	66,000	-
Stock-based compensation	<u>32,852</u>	<u>-</u>
	(365,001)	(577,011)
Change in non-cash working capital items	<u>(3,072)</u>	<u>(39,306)</u>
	<u>(368,073)</u>	<u>(616,317)</u>
FINANCING ACTIVITIES		
Advances - net	-	(118,787)
Issuance of shares	<u>162,000</u>	<u>803,748</u>
	<u>162,000</u>	<u>684,961</u>
INVESTING ACTIVITIES		
Expenditures on mineral property - net	-	(41,000)
Acquisition of capital assets	(408)	(7,956)
Proceeds from disposal of investments - net	<u>-</u>	<u>205,184</u>
	<u>(408)</u>	<u>156,228</u>
INCREASE (DECREASE) IN CASH	(206,481)	224,872
CASH - BEGINNING OF YEAR	<u>250,072</u>	<u>25,200</u>
CASH - END OF YEAR	<u><u>43,591</u></u>	<u><u>250,072</u></u>
NON-CASH FINANCING ACTIVITIES:		
Shares issued on acquisition of mineral property	-	25,000
Shares allotted for settlement of debt	32,000	-
Shares issued for corporate finance fee	-	12,500
Shares issued for finders fee	<u>30,400</u>	<u>-</u>
	<u><u>62,400</u></u>	<u><u>37,500</u></u>

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**ORKO GOLD CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2004 AND 2003**

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1. NATURE OF OPERATIONS

The Company, which is listed on the TSX Venture Exchange, is in the business of acquiring and exploring mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, on the assumption that the Company is a going concern.

Because a precise determination of certain assets and liabilities is dependent on future events, the preparation of the financial statements involves the use of estimates based on careful judgement and actual results could differ from estimates used. These financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the accounting policies noted below:

a) Mineral properties

Costs for the acquisition of mineral properties are initially deferred and, once a property is determined to be economically viable, development expenditures on that property are capitalized. All deferred property and capitalized development costs will be amortized following commencement of production, using the unit of production basis. All exploration costs are expensed.

The recorded values for each mineral property and any associated capitalized development costs are reviewed every quarter and, when it is determined that each such aggregate value is no longer appropriate in relation to the property's stage of exploration or development and the current economic viability of the property, or if the property is no longer of interest, its carrying value is adjusted to the estimated net realizable value to the Company.

b) Capital assets

Computer equipment is amortized on the declining balance basis at 30% per annum.

c) Investments

Investments in marketable securities are carried at the lower of cost or quoted market value.

d) Foreign currency translation

Transactions and balances in currencies other than the Canadian dollar are translated by the temporal method with revenue, expenses and non-monetary balances converted at exchange rates prevailing at the transaction dates and monetary balances converted at rates prevailing at year-end with resulting exchange gains and losses recognized in the determination of income.

e) Loss per share

The Company uses the treasury stock method for the calculation and presentation of both basic and diluted loss per share.

f) Income taxes

The Company uses the liability method for recording income taxes and records future income tax liabilities or assets for temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet, using tax rates anticipated to apply in the periods that the differences are expected to reverse.

g) Fair market value of financial instruments

The carrying value of cash, accounts receivable and accounts payable approximate fair market value because of the short maturity of those instruments.

**ORKO GOLD CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2004 AND 2003**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Stock-based compensation

Effective November 1, 2003, the Company adopted prospectively, the fair value method to recognize options granted. Accordingly, all stock-based payments are measured at the fair value of the equity instruments issued on the date of grant. The fair value of stock-based payments is periodically re-measured until counter-party performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

3. INVESTMENTS

Investments are recorded at the lower of cost and quoted market value, and consist of:

	Market Value \$	2004 Cost \$	2003 Cost \$
Marketable securities	<u>64,126</u>	<u>10,439</u>	<u>10,439</u>

4. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	2004 Net Book Value \$	2003 Net Book Value \$
Computer equipment	<u>8,364</u>	<u>1,714</u>	<u>6,650</u>	<u>7,956</u>

5. MINERAL PROPERTIES

- a) In 2002, the Company acquired an option to earn a 60% interest in 20 mineral claims in the Red Lake District, Kenora Mining Division, Ontario, for which it paid \$41,000, issued 100,000 shares at \$0.25 per share, and incurred \$273,976 in exploration expenditures. In December 2003, following a report obtained from an independent professional geologist, management decided not to proceed with this joint venture and wrote off the \$66,000 in acquisition costs previously capitalized.
- b) In December 2003, the Company acquired an option to earn a 51% interest in the La Preciosa gold/silver project located in the State of Durango, Mexico, from Minas Sanluis S.A. de C.V., a subsidiary of Wheaton River Minerals Ltd. by incurring US\$1 million in exploration and development expenditures over the next five years as well as issuing 50,000 shares to Minas Sanluis, upon TSX Venture Exchange approval, and a further 50,000 shares 12 months thereafter. The Company can earn a further 24% interest by expending an additional US\$500,000 by the end of the sixth year. Upon the Company earning a 75% interest, Minas Sanluis will have a 90 day option period to buy back up to a 60% controlling interest for US\$1,500,000.
- c) In June 2004, the Company acquired an option to earn a 51% interest in a second property, Santa Monica, from Minas Sanluis S.A. de C.V. by incurring expenditures of US\$1 million over the next five years as well as issuing 100,000 shares, the first 50,000 shares upon approval by the TSX Venture Exchange and the remaining 50,000 shares 12 months thereafter.

**ORKO GOLD CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2004 AND 2003**

6. CAPITAL STOCK

Authorized:

100,000,000 Common shares without par value

Issued:

	#	\$
October 31, 2001 and 2002	10,261,384	3,406,811
During the 2003 fiscal year		
- Private placement - flow through share units	380,000	95,000
- Other private placement	1,687,000	421,750
- Issued for services and property	150,000	37,500
Less: Share issue costs	<u>-</u>	<u>(67,502)</u>
October 31, 2003	12,478,384	3,893,559
- Private placement	6,300,000	504,000
- Shares issued for finders' fee	380,000	30,400
- Shares issued for debt settlement	400,000	32,000
Less: Share issue costs	<u>-</u>	<u>(30,400)</u>
October 31, 2004	<u>19,558,384</u>	<u>4,429,559</u>

a) Private Placements:

During 2004, the Company completed a private placement of 6,300,000 units at \$0.08 per unit, for gross proceeds of \$504,000. Each unit consists of one share and one share purchase warrant, entitling the holder thereof to purchase an additional share for a period of two years at \$0.10 per share. In connection with the transaction, the Company issued 380,000 shares at a deemed price of \$0.08 per share as a finders' fee. The Company also issued 400,000 units with the same terms at a deemed price of \$0.08 per unit, in settlement of \$32,000 in debt.

During 2003, the Company completed private placements of 380,000 flow-through units and 1,687,000 other units at \$0.25 per unit, for gross proceeds of \$516,750. Each flow-through unit consisted of one flow-through share and one share purchase warrant. Each other unit consisted of one share and one share purchase warrant which expired on December 31, 2003. In connection therewith, the Company paid a commission of \$26,675 and issued 162,700 Agent's warrants, with the same terms as the share purchase warrants and issued to the Agent, 50,000 shares as a corporate finance fee and paid an administration fee of \$5,000.

Proceeds from the sale of the flow-through units were used to finance the work program on the MacKenzie Island property.

b) Options:

In 2003, the Company adopted a rolling stock option plan (the "Plan") to grant options to directors, officers, employees, dependent contractors and consultants of the Company. Under the Plan, the Board has the discretion to issue the equivalent of up to 10% of the issued and outstanding share capital of the Company from time to time. Options granted will be for a term of up to 5 years from the date granted and will be exercisable at a price that is not less than the Discounted Market Price (which is the market price less a discount of 25% for a closing price of up to \$0.50, a discount of 20% for a closing price of \$0.51 to \$2.00, and a discount of 15% for a closing price above \$2.00, subject to a minimum of \$0.10).

**ORKO GOLD CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2004 AND 2003**

6. CAPITAL STOCK (continued)

b) Options (continued):

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, October 31, 2003	1,245,000	\$ 0.11
Granted	610,000	0.15
Expired	-	-
Cancelled	-	-
Balance, October 31, 2004	<u>1,855,000</u>	<u>\$ 0.12</u>
Weighted average fair value of options granted		<u>\$ 0.05</u>

Of the options outstanding at year end 1,505,000 are currently exercisable and have expiry dates ranging between December 4, 2005 and October 21, 2008.

c) Stock-based compensation

During the year, the Company granted 610,000 stock options to consultants at effective fair values ranging from \$0.03 to \$0.06 per share and recorded \$32,852 as stock-based compensation. The fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.80% to 2.96%
Expected life of options	2 years
Expected volatility	60%
Expected dividend yield	0.0%

d) Warrants

Warrants have been granted and are exercisable in whole or in part allowing the holders to purchase 6,700,000 shares at \$0.10 per share expiring October 31, 2005.

7. RELATED PARTY TRANSACTIONS

a) Included in the determination of net loss for the year, at their exchange amounts, are the following items paid or accrued to related parties:

	2004 \$	2003 \$
i) Management fees to a director and a company related by one or more common directors:	96,000	41,700
ii) Consulting fees to directors and companies related by one or more common directors:	-	50,000
iii) Rent to a company related by a common director:	-	22,000

b) Included in accounts payable is \$3,539 (2003: \$14,427) due to these related parties.

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**ORKO GOLD CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2004 AND 2003**

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8. LOSSES CARRIED FORWARD

The Company has approximately \$1,789,000 (2003: \$1,631,000) in non-capital losses which can be applied to reduce future taxable income, expiring as follows.

	\$
2005	121,000
2006	186,000
2007	143,000
2008	172,000
2009	365,000
2010	555,000
2011	247,000

Cumulative Exploration and Development Expenses of approximately \$1,776,000 (2003: \$1,659,000) are available to reduce future taxable income.

9. SUBSEQUENT EVENTS

Subsequent to year-end the Company:

- a) issued 1,000,000 shares at \$0.10 per share on the exercise of warrants, for gross proceeds of \$100,000.
- b) granted incentive stock options to acquire 100,000 common shares, exercisable at a price of \$0.13 per share expiring November 30, 2006.



**Freedom of Information and Protection of Privacy Act.** The personal information requested on this form is collected under the authority of and used for the purpose of administering the *Securities Act*. Questions about the collection or use of this information can be directed to the Supervisor, Financial Reporting (604-899-6729), P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2. Toll Free in British Columbia 1-800-373-6393.

INCORPORATED AS PART OF:

Schedule A  
 Schedules B and C

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
Orko Gold Corporation	October 31, 2003	04/02/20

ISSUER'S ADDRESS

1300-1075 West Georgia Street

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Vancouver	BC	V6E 3C9	604-684-4601	604-684-4691
CONTACT PERSON		CONTACT'S POSITION		CONTACT TELEPHONE NO.
Michele Pillon		Accountant		604-684-4691
CONTACT EMAIL ADDRESS			WEB SITE ADDRESS	
mpillon@ipm.bc.ca			N/A	

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
"Gary Cope"	Gary Cope	04/02/20
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
"Ross Wilmot"	Ross Wilmot	04/02/20