



Murgor Resources Inc.



ANNUAL REPORT

2004

PRESIDENT'S MESSAGE

This was a pivotal year in the history of Murgor Resources. From 1998 to 2002, due to poor market conditions and the value of Murgor shares, management was of the opinion that raising private equity financing in order to support exploration expenditures was not cost effective. In 2003, however, Murgor's new management was faced with important decisions. The Corporation's treasury was bare and was still crippled with a low stock price. Without any money for exploration or to pay its debts, Murgor was faced with losing a number of its best gold properties due to exploration inactivity. The dilemma for Murgor's new management in 2003 was to obtain equity financing despite the low share price, or lose its greatest assets: its high potential gold properties. With gold prices moving over \$400 an ounce and a renewed interest in the mining resource sector, Murgor seized the opportunity to finance.

Murgor, with its great portfolio of gold properties and a new, experienced management team, became an obvious choice for the knowledgeable and savvy investor. At the end of its fiscal year 2004, Murgor is now in an enviable position amongst Junior Mining Companies with over \$1 million in its treasury and no debt. Furthermore, diligent exploration expenditures of over \$400,000 in early 2004 allowed Murgor to enhance the value of its excellent gold exploration properties.

After securing over \$1.67 million in financings in late 2003, Murgor had to prove the worth of its property portfolio through diligent and aggressive exploration. Mission accomplished!

Murgor has never been so active and diversified in the field. The exploration year 2003-04 has seen Murgor exploring on seven (7) different properties in three (3) Canadian provinces (Quebec, Ontario and New Brunswick)... and with the results to show for it. Gold has been the main focus of Murgor's exploration at its Barry, Windfall, Eagle River, Mystery, Mishibishu and Mount Pleasant properties, but Murgor has also returned to the La Trève PGE-Cu-Ni property. Furthermore, fieldwork by Murgor has also outlined excellent potential for Cu-Zn volcanogenic mineralization on the southern part of its Eagle River Property. Look below at the section "Exploration 2003-04" for more details and results.

All the while, Murgor has remained true to its commitment of reducing administrative costs to a minimum in order to maximize the dollar amount spent in the field towards exploration. At the end of its fiscal year, 2004, Murgor had reduced its administrative costs to below \$10,000, predominately by downsizing its office space in Montreal.

Murgor has not only been active in the field; in order to increase Murgor's visibility in the industry and to open the lines of communications with its investors, Murgor has been actively participating in various trade shows in Canada. Murgor also launched a new website (www.murgor.com) to help keep its investors and potential investors abreast of our achievements.

NEW DIRECTORS AT MURGOR

On March 5th, 2004, after the resignation of Mr. Robert Weicker, Murgor was pleased to announce the appointment of Dr Michael D. Doggett and Mr. David W. Moore to the Board of Directors of the Company. Murgor's Board finds itself strengthened by the additional expertise brought by these two, well respected and experienced individuals, and by Mr. Weicker's continued services as a technical contributor to the Company.

Murgor's new directors will provide a balance between geological and financial expertise, both nationally, and at the international level:

Dr Michael D. Doggett, Director: Dr. Doggett is the Director of the Mineral Exploration Master's Program and Associate Professor in the Department of Geological Sciences and Geological Engineering at Queen's University. He holds degrees in geology and mineral economics from Mount Allison University and Queen's University. His primary expertise and research interest relates to the economic analysis of mineral exploration and acquisition in Canada and globally. Dr. Doggett has also taught professional development seminars in exploration and project evaluation to more than 600 industry participants in a dozen countries. He also has carried out a range of consulting activities with mining companies, governments and international agencies.

Mr. David W. Moore, Director: Mr. Moore is an Exploration Geologist with over 30 years worldwide experience in base and precious metals, ranging from grassroots exploration to feasibility and development. He has great strength in project generation and management and has a proven track record of discovery. He was a key

team member in the discovery and delineation of a number of mineral deposits, including Kudz Ze Kayah (Yukon), Cerattepe (Turkey), Red Dog (Alaska) and Hackett River (Nunavut). Until recently, David was General Manager Exploration Business Development for Teck-Cominco Limited, where he led a group charged with the identification and acquisition of mining development projects and brown-fields opportunities. Prior to the merger with Teck, he was General Manager Global Exploration, where he directed Cominco Ltd's worldwide exploration efforts outside of the United States.

LOOKING TOWARDS THE FUTURE

Murgor's management team remains dedicated to increasing shareholder value through a progressive approach from the initial acquisition of low cost prospective gold and base metal properties in favourable geologic environments to the stage where the properties are at an advanced exploration level. This value-added progression is achieved through the innovative use of technically proven and cost efficient exploration technologies.

In the coming year, Murgor intends to continue adding value to its current portfolio of properties, and to make key acquisitions in strategic areas and commodities. These exploration efforts will be combined with continued efforts to keep administrative costs to a minimum.

As exploration progresses on Murgor's high potential properties, management is confident that their value will increase and that investors will see a long awaited increase in share value. Thank you for your confidence and thanks to all of you who have participated in Murgor's success in 2004.

Respectfully submitted,

(Signed: André C. Tessier, P.Eng, P.Geol)
President & CEO
September 13, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at September 13, 2004

For the fiscal year ended April 30, 2004 unless otherwise noted

The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of Murgor Resources Inc. ("Murgor" or the "Company") for the three fiscal years ending April 30, 2004, 2003 and 2002 should be read in conjunction with the Company's audited financial statements and the related notes. The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

FORWARD LOOKING STATEMENTS

Except for historical information, this contains forward-looking statements relating to, among other things, regulatory compliance, and the sufficiency of current working capital, the estimated cost and availability of funding for the acquisition of properties and the continued exploration and development thereof. Such statements reflect current views of Murgor with respect to future events and are subject to certain risks, uncertainties and assumptions. Estimates provided for fiscal 2004 and beyond are based on assumptions of future events and actual results could vary significantly from these estimates. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the company.

OVERVIEW

Murgor is a junior mining exploration company actively exploring several highly prospective gold and Cu-Ni-PGE properties at various stages of exploration in Quebec, Ontario and New Brunswick. The Company counters the need to continuously adjust to short term financial market fluctuations through the implementation of a mid to long term gold exploration and development strategy. This strategy focuses on acquiring low cost prospective gold and base metal properties in favourable geologic environments and progressively moving them to advanced exploration stages and beyond. This value-added progression is achieved through the innovative use of proven and cost efficient exploration technologies. Once properties have been moved successfully to advanced stages of exploration, a strategic joint venture partner is sought, to lever the Company's interest and finance further diamond drilling programs.

The Company's shares are listed for trading on the TSX Venture Exchange under the trading symbol MUG.

MINING PROPERTIES

EXPLORATION 2003-2004:

The year 2004 has seen Murgor explore seven (7) different properties in Quebec, Ontario and New Brunswick. As exploration is conducted on these properties, the potential for important discoveries has only increased.

QUEBEC

THE BARRY-URBAN PROJECTS:

The Urban-Barry Gold Project is located approximately 100 km east of the town of Lebel-Sur-Quévillon and 180 kilometres southwest of the town of Chibougamau in the Province of Québec. The Urban-Barry Gold Project is made up of three (3) properties within a radius of twenty (20) km at the eastern end of the Archean Abitibi Greenstone Belt.

- The **Barry Property** consists of 206 claims covering 3,276 ha. The bulk of the property is held jointly by Murgor Resources and Freewest Resources Canada Inc., except for 14 claims (224 Ha) at the heart of the property, which are wholly-owned by Murgor. The Barry Au prospect is located on ground that is 100% owned by Murgor.
- The **Windfall Property**, which consists of 214 claims that cover 8,995 ha, is held jointly by Murgor and Freewest Resources Canada Inc.
- The **Rivière de L'Aigle Property**, which consists of 218 claims that cover 12,282 ha, is held jointly by Murgor and Freewest Resources Canada Inc.

Together, the Barry, Windfall and Rivière de L'Aigle properties total 638 claims that cover more than 24,553 hectares (245 square km) of the most prospective ground of the Urban-Barry Greenstone Belt.

THE BARRY GOLD PROPERTY:

The Barry Property covers the Barry Gold Prospect (estimated at 610,000t at a grade of 7.0 g/t Au), along with approximately 11 km of strike length of the prospective Murgor shear zone. The Murgor Shear Zone hosts the Barry deposit.

BARRY EXPLORATION 2004:

Murgor completed an 80 km line-cutting and ground magnetic program to fill gaps within the existing survey and to extend the geophysical coverage to the south. This magnetic survey was designed to locate structures and zones of broad magnetite alteration, such as that associated with the Barry Deposit.

Murgor has also re-interpreted the wealth of Induced Polarization data on the Barry Property. Several data sets from different Induced Polarization surveys were merged, using a technology that did not exist when these surveys were carried-out. A 3-Dimensional model of the Barry deposit and immediate area was produced, which confirmed several very high potential, never-tested anomalies.

In April, 2004, Murgor conducted a five (5) hole, 1,098 meters drilling program on the Barry Property to locate the NE-trending Murgor Shear Zone, east of a NS-trending fault that appears to cut the eastern end of the Barry Gold Deposit, while testing several Induced Polarization geophysical targets in the same area, east of the NS-trending fault.

Three (3) drill holes intersected the NE extension of the Murgor Shear Zone and confirmed the economic potential of the structure, with highly anomalous gold values in all three drill holes. The three drill holes were the first to ever test this segment of the Murgor Shear Zone, and they intersected the structure up to 1,400 meters north east of the current limit of the Barry Gold Deposit. Having located the mineralized structure, these drill holes indicate the potential to locate additional higher grade open pit resources in the area.

Murgor is very pleased with these results, for they confirm the very high potential for new discoveries on the Murgor Shear Zone, north east of the Barry Deposit. The Barry property covers a strike length of approximately 5 kilometres of the Murgor Shear Zone, north east of the Barry deposit, and another 3 kilometres of strike length to the south west. The three drill holes of this program are the only holes that ever tested these 8 kilometres of the structure outside of the deposit area.

Murgor's next phase of drilling on the Barry property will investigate this newly discovered and untested segment of the Murgor Shear Zone.

PROPERTY TRANSACTIONS:

Sequoia Property:

On January 28, 2004, Murgor consolidated its land position in the Urban-Barry belt by acquiring a 50% stake in the Sequoia Minerals Inc. Property (in joint venture with Freewest Resources Canada Inc.). The Sequoia Property consists of 36 claims, covering 565 hectares on strike with Murgor's Barry Au Deposit and the Nubar Au Deposit. Murgor obtained its stake in the property by issuing 250,000 Common shares to Séquoia Minerals. The property is under Murgor's management and is subject to a 1% NSR royalty to Séquoia and a 2% NSR from an earlier agreement.

Osisko Deal on the Barry 1 Property

On May 3rd, 2004, Murgor signed a letter of intent with Osisko Exploration Ltd. and Freewest Resources Canada Inc., giving Osisko the right to acquire up to 65% of 5 claims of the Barry Property that include the Barry Gold Deposit (4 claims are 100% owned by Murgor, and one is owned 50% by Murgor and 50% by Freewest). The terms of the agreement with Osisko are as follows:

- Osisko has the right to acquire a 55% interest in the Barry property by: (i) paying an aggregate sum of \$225,000, payable over a one year period, (ii) issuing 100,000 common shares on signing of the Agreement; (iii) providing a 43-101 compliant, near-surface, drill-measured resource on the Property within twelve months of signing of the Agreement and (iv) providing a bankable feasibility study within twenty-four months of signing of the Agreement.
- Osisko can earn an additional 10% interest by (i) issuing an additional 200,000 common shares, (ii) issuing a production notice and (iii) securing financing for 100% of development costs associated with bringing the Property to production within thirty-six months of signing of the Agreement.
- The original vendors of the property retain a 2% NSR royalty on commercial production and, once production on the Property has exceeded 250,000 troy ounces of gold, Osisko's interest in the Property will be reduced to 60%, and the joint interest of Murgor and Freewest will be increased to 40%.

This is an excellent deal for Murgor. It allows us to make every effort to bring the Barry Gold Deposit into production in a very short time frame, without having to finance any of the work; and we retain a 35-40% interest in the deposit. Furthermore, while Osisko will be conducting the feasibility study of the deposit (only 5 claims), Murgor will be able to focus on exploring the rest of the Barry property and its other high potential properties. Finally, a producing mine at Barry would have the effect of raising the value of mining properties in the area (of which Murgor is a large landholder).

Osisko's Progress:

To date, Osisko has completed two (2) phases of drilling on the Barry Gold Deposit, totalling 834 meters in 22 shallow drill holes. The drilling programs were aimed at defining the up-dip, northwestern extension of the Main Zone of the Barry deposit, as well as exploring the southwestern strike extent of mineralization between lines 800 E and 975 E. The third phase of drilling started in August of 2004, and will focus on defining the northwestern limit of the deposit and the extent of near-surface mineralization to line 700E.

Results are very encouraging and include intersections such as 3.57 g/t Au over 26.6 meters in areas previously not considered by Murgor. With limited drilling, Osisko has already shown that it can increase the gold resource of the Barry deposit.

FUTURE EXPLORATION AT BARRY:

While Osisko continues its efforts to outline a mineable reserve on the Barry deposit, Murgor will continue its investigation of over 8 kilometers of strike length of the untested Murgor Shear Zone in 2004-05.

THE WINDFALL GOLD PROPERTY:

The Windfall property covers the zone of intersection between the EW-trending Urban-Barry deformation zone and the NE-trending Milner-Murgor shear corridor (respectively a strike length of approximately 15 km and 12 km). The property also covers the northern half of the Windfall felsic complex, identified by the M.N.R.Q. in 2002 as a prospective area for gold rich Volcanogenic Massive Sulphide deposits. On June 25, 2003, a joint venture group formed of Noront Resources Ltd, Fury Explorations and Alto Ventures announced a drill intercept of **10.25 g/t Au over a 22.85 m** core length. This intersection is located within 200m south of Murgor's Windfall property in a NNW-trending structure.

WINDFALL EXPLORATION 2004:

Starting in December of 2003, Murgor carried-out a 45 km line-cutting program and a 600 km GPS-oriented ground magnetic survey that completed the magnetic coverage of the whole property. This magnetic survey was designed to reinterpret the complex structural context of the property, in order to better select areas that are structurally favorable for large lode gold deposits.

In early June of 2004, an extensive exploration program of geological mapping, prospecting, and sampling started on the property with a crew of 6-8 prospectors and geologists. The program was aimed at selecting target areas for mechanical trenching and sampling, line-cutting, geophysical surveys and follow-up detailed geological mapping.

Mechanical trenching started in late July and, on August 12th, Murgor was pleased to announce preliminary results that included **four (4) new gold occurrences** discovered in the south central portion of the Windfall Property, clustered within a 1,200 meters radius and located within 1,700 meters north of the recent Noront-Altou-Fury Gold Discovery (NGD). The occurrences are as follows:

1. **The IPE Gold Occurrence** where four grab samples assayed 750 ppb Au, 900 ppb Au, 9.82 g/t Au and 14.40 g/t Au. This occurrence sits on an old, untested Induced Polarization anomaly that is approximately 400 meters long.
2. **The Road Side Gold Occurrence** (450 meters from the IPE Occurrence) where four grab samples assayed 847 ppb Au, 1.00 g/t Au, 15.33 g/t Au and 16.55 g/t Au.
3. **The Float Gold Occurrence** (within 300 meters from the Road Side Occurrence) where four grab samples assayed 310 ppb Au, 440 ppb Au, 6.87 g/t Au and 9.83 g/t Au.
4. **The Simple Gold Occurrence** where four grab samples assayed 111 ppb Au, 230 ppb Au, 6.77 g/t Au and 119.90 g/t Au. This occurrence sits approximately 200 meters and on strike with an old, untested Induced Polarization anomaly of at least 300 meters long.

Murgor's lithochemical sampling program has also outlined a broad halo of anomalous gold values, approximately 800 meters in radius, within the property limits around the NGD. Gold values within this halo range from 26 ppb to 675 ppb Au. This halo of anomalous gold suggests that the extensions of the NGD may lie within Murgor's Windfall Property.

These discoveries joined two (2) auriferous zones previously discovered by Murgor in 1997:

1. **The J&B Gold Occurrence** where four (4) channel samples of 1.0 m long assayed from 23.0 g/t to 71.0 g/t Au, and
2. **The Debris Gold Occurrence** where two (2) channel samples of 1.0 m long assayed 104.0 g/t and 46.0 g/t Au.

To date, only six (6) drill holes, totalling 1,095 m, have tested the property with five (5) drill holes returning with gold values. The best intersections from this drilling program include 3.47 g/t Au over 1.9 m and 15.1 g/t over 1.2 m.

FUTURE EXPLORATION AT WINDFALL:

Immediately following the results from the grab samples collected in the trenches, a detailed mapping and channel sampling program was launched on the trenches (results are pending). Three grids were outlined for a total of 166 kilometers of line cutting, and 136 kilometers of Induced Polarization geophysical surveys. Drilling is planned for the fall and winter of 2004, with follow-up in 2005.

THE RIVIÈRE DE L'AIGLE GOLD-COPPER-ZINC PROPERTY:

The Rivière de L'Aigle Property covers 20 km of strike length of the northern extension of the NE-trending Barry Lake-Masère deformation corridor and 5 km of strike length of the EW-trending Urban-Barry deformation zone. The southwest part of the property covers the highly prospective zone of intersection between the two shear zones - an area that covers 25 km². The northeast part of the property covers the northern extension of the Barry Lake-Masère shear zones.

RIVIÈRE DE L'AIGLE EXPLORATION 2004:

In February and March of 2004, Murgor conducted a 36 km line-cutting program, followed by a 255 km GPS-oriented ground magnetic survey, which was designed to cover, and locate with precision, a number of NE-trending shear zones with coincident magnetic lows that are cross-cutting a gabbroic intrusion. Following this survey, an area in the NE part of the property was selected for follow-up to further investigate NE-trending structures with a strong magnetic-low signature.

In July of 2004, a 40 kilometer grid was cut to cover the main NE-structures with magnetic-low signatures and, in late August, a 32 kilometres IP survey was completed. Results are pending.

In June of 2004, reconnaissance geological mapping outlined a high potential for the presence of volcanogenic massive sulphide Cu-Zn mineralization. Exhalative horizons were identified in the southern portion of the property, within thick felsic pyroclastic units. Anomalous values of up to 668 ppm Cu and 494 ppm Zn were encountered within these horizons with associated garnet-chlorite alteration. To follow-up on these observations, a helicopter borne EM/Mag survey of 850 line kilometres commenced on August 29 to cover the 45 square kilometre area of the southern portion of the property.

FUTURE EXPLORATION AT RIVIÈRE DE L'AIGLE:

A geological mapping, prospecting and sampling exploration program is scheduled to follow-up on both geophysical surveys and to verify surface expressions of the anomalies. Any encouraging results will be followed-up by drilling in late 2004 and/or 2005.

THE LA TRÈVE PGE-Cu-Ni PROPERTY:

The La Trève PGE-Cu-Ni Properties consist of 394 claims that cover 7,919 hectares in the Berey, Lantagnac, Guettard and Daine Townships, approximately 80km WNW of the Chibougamau Mining District in northwestern Quebec. The La Trève I (106 claims) and La Trève II (31 claims) properties are owned 100% by Murgor. The remaining 157 claims, comprising the La Trève III, IV, V and extension properties, are jointly held by Murgor and Freewest (50% each).

EXPLORATION 2004:

In May of 2004, a ground magnetics, prospecting and sampling program was aimed at parts of the La Trève III and V properties to verify the surface expression of combined magnetic and electro-magnetic anomalies detected during a 2001 helicopter borne survey by Murgor. Although the anomalies were relocated in the field, prospecting proved fruitless due to a lack of outcrop.

In July of 2004, a forty (40) kilometer grid was cut on the La Trève I and IV properties to cover the La Trève I and La Trève IV PGE-Cu-Ni occurrences. In August 2004, the grid was the object of a detailed geological mapping, prospecting and sampling program that was conducted simultaneously with an Induced Polarization geophysical survey. The objective of the program is to locate a mineralized trend between the known mineral occurrences, as indicated by the magnetic surveys, and to further investigate Mag-EM helicopter borne anomalies from an earlier survey. All results are pending.

FUTURE EXPLORATION:

Results will be interpreted as they become available, and future exploration will be dependent the success of Murgor's latest program. Depending on the results, drilling is scheduled for the winter of 2004-05.

THE FANCAMP GOLD PROPERTY:

The 100% Murgor owned Fancamp property is located in the western part of the Fancamp Township, approximately 30 kilometres SE of the town of Chapais and 55 kilometres south of the town of Chibougamau in northwestern Québec. The property is accessible by car through a network of all-season logging roads from the towns of Chapais and Chibougamau.

In March of 2004, Murgor acquired, through map staking, a 100% interest in 17 claims (949 hectares) contiguous to the Fancamp Property, which now covers 56 claims (2,120 ha). This acquisition added coverage over another 5 kilometres of strike length of the Fancamp Deformation zone. The Fancamp Deformation Zone is host to the Chevrier Gold deposit (1.1Mt @ 6.4 g/t Au and 230Mt @ 0.3 g/t Au), which is located approximately 5 kilometres NE of the Fancamp Property. The area has been designated as a high priority exploration target for gold exploration by the Chibougamau office of the Quebec Ministry of Natural Resources. Please visit the "Project" section for more information on the Fancamp Property in Quebec.

FUTURE EXPLORATION:

Exploration work is planned for 2005.

ONTARIO

THE MISHIBISHU GOLD PROPERTY:

The Mishibishu property consists of 114 mining claim units that cover 4,560 acres in northwestern Ontario, 50 kilometres west of the town of Wawa and 10 kilometres north of Lake Superior. The Property is accessed by vehicle via the all season Paint Lake Road that leads to the Eagle River Gold Mine.

The Property is located in the Archean Mishibishu Greenstone Belt, and is underlain by mafic volcanic rocks and clastic sedimentary rocks bounded to the east and west by large intrusive bodies of tonalitic composition.

The Mishibishu Property covers a strike length of 10 kilometres of the Mishi Creek Deformation Zone and a strike length of 3 kilometres of the Rook Lake Deformation Zone. Both deformation zones are EW- to NW-trending, dip steeply towards the north, and locally exceed 1 kilometre in width. Both shear zones have localized extensive shear-vein systems and high grade gold mineralization in a geological setting that is remarkably similar to the known gold deposits in the area, which are all owned by River Gold Inc:

- The producing Eagle River Gold Mine (2.86 Mt grading 8.84 g/t Au), located 6 kilometres to the south,
- The past producing Mishi open pit (1.25 Mt grading 4.8 g/t Au), located 12 kilometres to the north, and
- The past producing Magnacon Mine (1.54 Mt grading 6.9 g/t Au), also the site of the operating Eagle River Mill, located 12 kilometres to the north.

The property hosts numerous gold occurrences that have yielded potentially economic grades of mineralization, yet the property remains largely under-explored. Some 30 gold showings, assaying in excess of 1.0 g/t Au, have been located by previous workers, and include:

- The Marten Zone, which sits at the heart of the property, where drilling and trenching uncovered significant gold mineralization over a strike length of 300m (drill intercept of up to 5.05 g/t Au over 7.45 m), and
- The Dorset Zone, which sits immediately to the north of the property and locally straddles the property boundary over a strike length of 2 kilometers, where drill results include 3.74 g/t Au over a true width of 21.53 m, 3.02 g/t Au over 5.92 m, and 5.23 g/t Au over 3.70 m in three separate drill holes. Although the Dorset Zone generally lies just outside of the property boundaries, its east and west strike extensions lie within the property.

MISHIBISHU EXPLORATION 2004:

In July of 2004, Murgor Resources Inc. conducted a mineral exploration program consisting of geological mapping, prospecting and lithogeochemical sampling. The exploration program was mainly aimed at verifying surface expressions of Induced Polarization geophysical anomalies in the field and conducting reconnaissance work on areas of the property not covered by previous workers.

Preliminary results have outlined four (4) areas of interest at the Mishibishu Property.

1. ANOMALIES 26, 27 AND 33:

The area is located at the highly strained, NE-trending contact of sedimentary rocks with mafic volcanic rocks, where mineralization consists of disseminated pyrite and quartz veining. Grab samples collected near the anomalies returned assays of **11.4 g/t Au, 7.8 g/t Au and 2.6 g/t Au**. Anomaly 33 is at least 300 meters long and on strike with the assay of 11.4 g/t Au, whereas anomalies 26 and 27 may reach up to 700 meters long and are on strike with the assays of 7.8 g/t and 2.6 g/t Au.

2. ANOMALY 83:

The area is located on a 40 meters wide shear zone trending 258°/80°N on strike with the Dorset East Trench for a strike length greater than 3 kilometres. The extent of the shear zone to the east is unknown. Five (5) grab samples have all returned anomalous gold assays of up to 902 ppb Au over a strike length of approximately 600 meters. The IP anomaly remains open to the east where the survey ended, and for 200 meters to the west. A large quartz vein within a parallel structure has returned an assay of 487 ppb Au.

3. ANOMALY 78:

The EW-trending anomaly cuts through a small and altered QFP granitic intrusion that shows gold values that are consistently anomalous. The geological setting is identical to that of the Eagle River Gold Mine, south of the property, and previous workers report two grab samples that assayed 1.45 g/t Au and 2.51 g/t Au.

4. AREA WEST OF THE MARTEN ZONE:

In this area, a new 7 meters wide quartz-pyrite-arsenopyrite vein within a 10 meter wide shear zone was outlined. Assays from the limited exposure returned up to 2.8 g/t Au on grab samples. The vein is open to the east for approximately 200 meters and, to the west, for 25 meters. It is thought that cross faults have displaced the western part of this vein and shear zone to the south.

FUTURE EXPLORATION AT MISHIBISHU:

These preliminary results from the Mishibishu Property will be followed-up by an intensive exploration in 2004 and 2005, which will consist of detailed geological mapping, mechanical trenching, channel sampling additional prospecting, line cutting, geophysical IP and magnetic surveys and drilling.

THE MYSTERY GOLD PROPERTY:

The Mystery property consists of 32 mining claim units that cover 1,280 acres in Moss Township, 120 kilometres west of the town of Thunder Bay, northwestern Ontario. The property is located in the Shebandowan Belt and covers the Northeast extension of the La Rose Shear Zone, where Freewest Resources Canada Inc. has intermittently exposed a mineralized corridor over a 3.5 kilometer strike length. To date, Freewest has highlighted six (6) gold occurrences within this section of the La Rose shear Zone, with best values of 8.80, 64.87, 371.94, 10.15, 3.87, 62.93 and 13.39 grams per ton Gold in grab samples.

MYSTERY EXPLORATION 2004:

In July of 2004, Murgor conducted an intensive exploration program consisting of geological mapping, prospecting and lithochemical sampling of the Mystery Gold Property. For two weeks, a field crew of up to five (5) geologists and prospectors carried-out the field work in an effort to locate the gold-bearing La Rose Shear Zone on the property.

The La Rose Shear Zone and associated swarm of felsic dikes were identified across the central part of the Mystery Property. The structure is locally exposed along a NE-trending topographic depression, along which assays of 1.39 g/t Au, 0.98 g/t Au and 0.57 g/t Au were returned with a number of highly anomalous assays of >100 ppb Au.

In late July and August, a 30 kilometer grid was cut covering the prospective shear zone, and a soil geochemical survey was carried-out. Assays from this survey are pending.

FUTURE EXPLORATION AT MYSTERY:

Results from the soil geochemical survey will be processed and areas will be selected for additional work, including Induced Polarization geophysics scheduled for the winter 2004-05 and mechanical trenching in the summer of 2005. Additional line cutting, geological mapping, prospecting and sampling is scheduled for the summer of 2005 to cover the rest of the property and, depending upon results and access, drilling is planned for the late summer and winter of 2005.

NEW BRUNSWICK

THE MOUNT PLEASANT GOLD PROPERTY:

The 100% Murgor owned Mount Pleasant Gold Property consists of 47 claims (752 hectares), which are located 70 kilometres south of the city of Fredericton, in south-western New Brunswick. The property covers the same favourable geological setting as the Clarence Stream Gold Deposit, 10 kilometres to the west.

Initial interpretation of government geophysical surveys of the property outlined an unexplored, 4.5 km² dilational jog, located in the central part of the Mount Pleasant property, where a large Sn, Zn, Bi, W soil geochemical anomaly (not analyzed for Au by Billiton in 1980) was located. A dilational jog is a fault-bounded area of low pressure, where mineralizing fluids are drawn while the faults are active.

MOUNT PLEASANT EXPLORATION 2004:

In January and February 2004, a flagged grid of 79 line kilometers was established to cover the whole property, and this was followed by a ground magnetic and electro-magnetic (V.L.F.) survey.

This geophysical survey confirmed the presence of the dilational jog at the north contact of the Magaguadavic granitic intrusion, bounded by two NW-trending, sinistral faults. Several conductive zones coinciding with past soil geochemical anomalies have also been identified within this dilational jog.

In August 2004, a thirty-seven (37) line kilometres (flagged lines) soil geochemical survey was completed on the property to cover the dilational jog and bounding faults. Assay results and interpretation of the survey are pending.

FUTURE EXPLORATION AT MOUNT PLEASANT:

Murgor is presently awaiting the results of the soil geochemical survey to target specific areas of the dilational jog for line-cutting and induced polarization geophysical surveys. Drilling is planned for 2005.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected financial data of the Company for its three most recently completed fiscal years:

	Year ended April 30, 2004 \$	Year ended April 30, 2003 \$	Year ended April 30, 2002 \$
Revenues	45,534	123	3,089
Net loss	(275,357)	(209,855)	(257,941)
Basic and diluted loss per share	(0.0081)	(0.0080)	(0.0106)
Total assets	7,077,962	5,492,823	5,604,671
Total long term debt	-	-	-

RESULTS OF OPERATIONS

Fiscal year ended April 30, 2004 compared with fiscal year ended April 30, 2003

For the year ended April 30, 2004, the Corporation reported a net loss of \$275,357 (\$209,855 - April 30, 2003). Revenue totalled \$45,534 at April 30, 2004 as compared to \$123 at April 30, 2003. The increase of \$45,411 was comprised mainly of: \$36,930 as a result of the tax credit refund of certain Quebec exploration expenditures not renounced to private equity investors; \$2,415 in operator's fees charged for project administration. Interest income increased by \$5,607 to \$6,094 from \$487 (April 30, 2003) as a result of the equity financings in fiscal 2004. Interest and bank charges totaled \$2,113 compared to \$364 (April 30, 2003).

The net loss for the year included a write-off due to abandonment of properties of \$67,219 (\$112,946 – April 30, 2003). Expenses excluding the write-off due to abandonment of properties totaled \$253,672 (\$97,032 – April 30, 2003). The increase in Professional and accounting fees of \$50,304 to \$64,313 (\$14,009 – April 30, 2003) was as a result of under accruals of previous years', current invoiced fees and increase of year-end accruals to reflect the significant increase in activities as a result of the private placement financings. Administration expenses and other of \$7,651 decreased by \$45,882 (\$53,533 – April 30, 2003) due to the debt settlement agreement with Freewest Resources Canada Inc. based on the amounts owing as at April 30, 2003 and reduction in the monthly amount for shared office and related expenses. Filing costs and shareholders' information totaled \$84,829 compared to \$26,286 (April 30, 2003). The increase of \$58,543 related mainly to higher advertising, promotion, and public relation costs.

Fiscal year ended April 30, 2003 compared with fiscal year ended April 30, 2002

During the fiscal year 2003, the Company reported a net loss of \$209,855, compared to a net loss of \$257,941 in 2002. Net loss for the year includes a write-off due to abandonment of properties of \$112,946 (\$100,461 in 2002). Expenses excluding the write-off due to abandonment of properties totalled \$97,032 in 2003 as compared to \$160,569 in 2002.

SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for eight of the most recently completed financial quarters immediately preceding the year ended April 30, 2004:

	Year ended April 30, 2004				Year ended April 30, 2003			
	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$
Revenues	8,117	37,417	(30)	(38)	(357)	37	65	286
Net loss	(192,271)	(12,313)	(40,201)	(30,572)	(82,667)	(27,820)	(70,960)	(30,572)
Net loss per share	(0.0057)	(0.0005)	(0.0015)	(0.0012)	(0.0031)	(0.0011)	(0.0027)	(0.0012)

The Company has no dividend policy and has no intention of developing a dividend policy in the foreseeable future. The Company has paid no dividends and has no retained earnings from which it might pay dividends.

LIQUIDITY

Fiscal year ended April 30, 2004 compared with fiscal year ended April 30, 2003

At year-end, the Company maintained a cash or equivalent position of \$1,054,666 (\$3,688 in 2003) and working capital of \$944,171 as compared to a working capital deficiency of \$230,166 in 2003. The Corporation has no long-term debt. Management is of the opinion that the current cash position is sufficient to meet current commitments. Full development of some mineral properties would require substantially more financial resources. Traditionally, the Corporation has been able to rely on its ability to raise financing in public and private negotiated equity offerings. The Corporation may also advance the development of mineral properties through joint-venture participation.

Murgor raised a total of \$1,678,098 through four (4) private placements including a placement by the Directors of the company (\$1,251,500 flow-through amount and \$426,598 in common shares amount) as compared to \$NIL (April 30, 2003). A total of 16,780,975 shares were issued at a price of \$0.10 per share along with 11,816,475 common shares warrants at an exercise price of \$0.13 per warrant. The warrants are exercisable over a period of 18 to 24 months after the closing of the respective private placement. Issue costs incurred totaled \$165,219 (\$2,671 – April 30, 2003) related to the private equity financings.

Fiscal year ended April 30, 2003 compared with fiscal year ended April 30, 2002

At April 30, 2003, Murgor maintained a cash and cash equivalent position of \$3,688 (\$240,284 in 2002). The Corporation had no-long term debt.

During the 2003 fiscal year, management was of the opinion that raising private equity financing in order to support exploration expenditures was not cost effective due to market conditions and the value of Murgor shares and the Company did not complete any private equity financings as compared to 2,700,000 common shares for a total consideration of \$270,000 in 2002. For the year ending April 30, 2003, the Corporation incurred \$237,708 in exploration expenditures (\$68,227 in 2002). The Corporation did not issue any shares in 2003 on the acquisition of mining properties as compared to 400,000 common shares for a value of \$45,000 in 2002.

RELATED PARTY TRANSACTIONS

All related party transactions are in the normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties. Certain directors of the Company are also shareholders and directors of related corporations.

The related corporations charged an aggregate amount of \$21,025 (\$57,255 – April 30, 2003) for administrative costs, services, shared office expenses and exploration expenditures. A total of \$62,709 consisting of \$15,709 (\$NIL – April 30, 2003) in advances and \$47,000 (\$17,500 – April 30, 2003) in remuneration was paid to the President for professional services rendered in his capacity as a geologist and qualified person (QP). Two directors and shareholders of Murgor lent \$16,000 (\$NIL – April 30, 2003) to the Company. An amount of \$500 was charged to cover interest and administrative costs. Also, the Company had a loan in the amount of \$15,000 (\$NIL – April 30, 2003) from a related corporation for which \$1,000 was charged to cover interest and administrative costs. During the year, Murgor issued 1,490,710 common shares for settlement of \$174,885 of debt for shared office space and related costs and geologist services.

CRITICAL ACCOUNTING POLICIES

The Company prepares its financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”) in Canada. The Company details its significant accounting policies in Note 2 to its financial statements, of which the Murgor has identified the following accounting policies, which are believed to be the most critical in fully understanding and evaluating the reported financial results:

The cost of mining properties and deferred costs are capitalized until the results of the projects are known. If a project is successful, the related expenditures will be amortized over a period of years pro-rata to anticipated income.

If a project is abandoned or if a permanent drop in value for a property is recognized, the related expenditures will be written off. A sale of an interest in claims is credited directly to expenditures until such time as all related expenditures are recovered. Direct costs incurred to maintain claims are capitalized.

CHANGES IN ACCOUNTING POLICIES

Effective May 1, 2003, the Company adopted prospectively the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3870, Stock-based Compensation and other Stock-Based Payments and began expensing prospectively its stock-based compensation. Under this method, compensation cost should be measured at the grant date based on the fair market value of the award and should be recognized over the related service period. The cost of the stock option compensation plan is recognized in Deferred Exploration expenses and Administration Expenses with a corresponding credit to Contributed Surplus using the fair value based method of Accounting of Awards. The Company details in Note 4 (b) to its financial statements the affect of the changes. The new recommendations of the CICA for the calculation of earnings per share have no effect on the current period or prior period's calculations as any exercise would have been anti-dilutive.

FINANCIAL INSTRUMENTS

The fair value of all of the Company's financial instruments approximates the carrying value unless otherwise noted. Cash, cash held for exploration, accounts receivable and accounts payable and accrued liabilities are non-interest bearing. Cash and cash equivalents include cash on hand, bank balances and term deposit with maturity of three months or less.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the financial statements and other financial information relating to the Corporation included in this annual report. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on estimates and judgements of management.

Wasserman, Stotland, Bratt, Grossbaum, our independent auditors, are engaged to express a professional opinion on the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures which allow the auditors to report whether the financial statements prepared by management are presented fairly and in accordance with Canadian generally accepted accounting principles.

The Board of Directors must ensure that management fulfils its responsibilities for financial reporting. In furtherance of the foregoing, the Board of Directors has appointed an Audit Committee composed of three directors, two of whom are not members of management. The Audit Committee meets with the independent auditors to discuss the results of their audit and their audit report prior to submitting the financial statements to the Board of Directors for its consideration and approval for issuance to shareholders. On the recommendation of the Audit Committee, the Board of Directors has approved the Corporation's financial statements.

(Signed: André C. Tessier, P.Eng, P.Geol)
President & CEO

(Signed: Mark Schneiderman, CFE, CA)
Secretary-Treasurer

AUDITORS' REPORT

To the Shareholders of,
Murgor Resources Inc.

We have audited the balance sheets of **Murgor Resources Inc.** as at April 30, 2004 and April 30, 2003 and the statements of operations and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial positions of the corporation as at April 30, 2004 and April 30, 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed: Wasserman Stotland Bratt Grossbaum)
Chartered Accountants.

Montreal, Quebec.
August 18, 2004.

MURGOR RESOURCES INC.

Balance Sheets

As at April 30, 2004

	2004	2003
	\$	\$
Assets		
Current assets		
Cash	31,717	3,688
Cash held for exploration work	1,022,949	-
Marketable securities	-	2,000
Accounts receivable	94,737	4,862
Due from related corporations (note 5)	46,962	-
Prepaid expenses (note 5)	21,146	3,192
	1,217,511	13,742
Mining properties and deferred costs (note 3)	5,860,451	5,479,081
	7,077,962	5,492,823
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	258,996	61,746
Due to related corporations (note 5)	-	154,885
Due to directors (note 5)	14,344	27,277
	273,340	243,908
Shareholders' equity		
Capital stock (note 4)	13,000,526	11,100,043
Contributed surplus	95,800	-
Deficit	(6,291,704)	(5,851,128)
	6,804,622	5,248,915
	7,077,962	5,492,823

See accompanying notes to financial statements.

Approved on Behalf of the Board:

(Signed: André C. Tessier)Director

(Signed: Mark Schneiderman)Director

MURGOR RESOURCES INC.
Statements of Operations and Deficit
Year Ended April 30, 2004

	2004	2003
	\$	\$
Revenue		
Interest and other income	45,534	123
Expenses		
Professional and accounting fees	64,313	14,009
Administration expenses and other	7,651	53,533
Filing costs and shareholders' information	84,829	26,286
Interest expenses	(921)	2,454
Write-off due to abandonment of properties	67,219	112,946
Loss due to write-down of marketable securities	2,000	750
Stock option compensation	95,800	-
	320,891	209,978
Net loss for the year	(275,357)	(209,855)
Deficit - beginning of year	(5,851,128)	(5,638,602)
Issue costs	(165,219)	(2,671)
Deficit - end of year	(6,291,704)	(5,851,128)
Basic and fully diluted net loss per share	(0.0081)	(0.0080)
Weighted average number of outstanding shares	33,803,570	26,359,950

See accompanying notes to financial statements.

MURGOR RESOURCES INC.

Statements of Cash Flows

Year Ended April 30, 2004

	2004	2003
	\$	\$
Cash flows (used in) from operating activities		
Net loss	(275,357)	(209,855)
Adjustments for:		
Write-off due to abandonment of properties	67,219	112,946
Stock option compensation	95,800	-
Loss due to write-down of marketable securities	2,000	750
	(110,338)	(96,159)
Changes in non-cash components of working capital (note 6(b))	(125,359)	102,060
Cash flows from (used in) operating activities	(235,697)	5,901
Cash flows used in investing activities		
Mining claims acquired (note 6(c))	(9,059)	(24,318)
Exploration expenditures deferred	(402,030)	(237,708)
Proceeds from disposition of claims	-	22,200
Cash flows used in investing activities	(411,089)	(239,826)
Cash flows from (used in) financing activities		
Common shares issued	1,862,983	-
Issue costs	(165,219)	(2,671)
Cash flows from (used in) financing activities	1,697,764	(2,671)
Increase (decrease) in cash and cash equivalents	1,050,978	(236,596)
Cash and cash equivalents - beginning of year	3,688	240,284
Cash and cash equivalents		
- end of year (note 6(a))	1,054,666	3,688

"Cash and cash equivalents" are composed of cash and cash held for exploration work.

See accompanying notes to financial statements.

MURGOR RESOURCES INC.
Statements of Mining Properties and Deferred Costs
Year Ended April 30, 2004

	2004	2003
	\$	\$
Balance - beginning of year	5,479,081	5,352,201
Expenditures incurred during the year		
Geophysical	103,513	20,040
Geochemical	-	1,023
Geological	21,441	30,146
Technical consulting	72,003	18,243
Prospecting	-	4,827
Showing	-	15,540
Line cutting	66,467	7,350
Airborne surveys	-	79,807
Stripping	-	32,326
Drilling	100,259	-
Road access	12,863	11,918
Administration of claims	25,484	16,488
	402,030	237,708
Mining properties	46,559	2,118
Write-off due to abandonment of properties	(67,219)	(112,946)
	381,370	126,880
Balance - end of year	5,860,451	5,479,081

See accompanying notes to financial statements.

MURGOR RESOURCES INC.
Notes to Financial Statements
Year Ended April 30, 2004

1. Nature of operations

The Corporation is in the process of exploring its mining properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mining properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mining claims, the ability of the Corporation to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a going concern basis, which presumes the corporation will be able to continue its operations and realize its assets and discharge its liabilities in the normal course of business in the foreseeable future, which will require further financing.

2. Significant accounting policies

Mining properties and deferred costs

The costs of mining properties and deferred costs are capitalized until the results of the projects are known. If a project is successful, the related expenditures will be amortized over a period of years pro-rata to anticipated income. If a project is abandoned or if a permanent drop in value for a property is recognized, the related expenditures will be written off. A sale of an interest in claims is credited directly to expenditures until such time as all related expenditures are recovered. Direct costs incurred to maintain claims are capitalized.

Financial instruments

The fair value of all of the Corporation's financial instruments approximates the carrying value unless otherwise noted. Cash, cash held for exploration work, accounts receivable and accounts payable and accrued liabilities are non-interest bearing.

Marketable securities

Marketable securities are carried at the lower of cost and market. As at April 30, 2004, market value was \$Nil. (April 30, 2003 - \$2,000).

MURGOR RESOURCES INC.
Notes to Financial Statements
Year Ended April 30, 2004

2. Significant accounting policies (cont'd.)

Stock option plan

The Corporation has a stock option plan as described in note 4(b). Effective May 1, 2003, the Corporation adopted prospectively the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments* and began expensing prospectively its stock-based compensation. This Section defines notably recognition, measurement and disclosure standards for stock-based payments to non-employees and employees. Under these new standards, all stock-based payments made to non-employees and employees must be systematically accounted for in the Corporation's financial statements. These standards define a fair value-based method of accounting and encourage entities to adopt this method for its stock-based employee compensation plan. Under this method, compensation cost should be measured at the grant date based on the fair value of the award and should be recognized over the related service period. The cost of the stock option Compensation Plan is recognized in Deferred Exploration Expenses and Administration Expenses with a corresponding credit to Contributed Surplus using the fair value based method of Accounting of Awards.

Basic and fully diluted net loss per share

Basic per share amounts are calculated using the weighted number of shares outstanding for the period. The dilutive loss per share, which is calculated using the treasury method, is equal to the basic loss per share due to the anti-dilutive effect of the total share options and warrants outstanding.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of income and expenses during the reporting period. Significant areas requiring the use of management estimates relate to impairment of mineral properties. Actual results could differ from those estimates.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, 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 to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2004

3. Mining properties and deferred costs

The Corporation currently maintains the following mining properties:

	April 30, 2003	Expenditures	(Write-off or Disposal)	April 30, 2004
	\$	\$	\$	\$
Quebec				
Fancamp Township				
Acquisition	33,119	2,132	-	35,251
Exploration	1,529,520	6,723	-	1,536,243
Benoist Township				
Acquisition	30,160	23	-	30,183
Exploration	849,593	400	-	849,993
Barry Township				
Acquisition	475,508	37,803	-	513,311
Exploration	1,544,128	192,701	-	1,736,829
Urban Township				
Acquisition	70,627	724	-	71,351
Exploration	420,735	65,651	-	486,386
La Treve				
Acquisition	128,393	525	-	128,918
Exploration	217,231	1,476	-	218,707
Others				
Acquisition	9,609	2,599	(1,860)	10,348
Exploration	24,046	63,022	(40,484)	46,584
	5,332,669	373,779	(42,344)	5,664,104

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2004

3. Mining properties and deferred costs (cont'd.)

	April 30, 2003	Expenditures	(Write-off or Disposal)	April 30, 2004
	\$	\$	\$	\$
<u>Ontario</u>				
Mishibishu Township				
Acquisition	67,700	135	-	67,835
Exploration	43,470	18,121	-	61,591
Others				
Acquisition	-	2,400	-	2,400
Exploration	-	11,282	(10,678)	604
	<u>111,170</u>	<u>31,938</u>	<u>(10,678)</u>	<u>132,430</u>
<u>New Brunswick</u>				
Mount Pleasant				
Acquisition	7,809	218	-	8,027
Exploration	22,051	33,839	-	55,890
Other				
Acquisition	4,951	-	(4,951)	-
Exploration	431	8,815	(9,246)	-
	<u>35,242</u>	<u>42,872</u>	<u>(14,197)</u>	<u>63,917</u>
Canadian Properties	<u>5,479,081</u>	<u>448,589</u>	<u>(67,219)</u>	<u>5,860,451</u>

Fancamp Township, Quebec

The Corporation owns 100% interest in 30 mining claims located in Fancamp Township, Quebec.

Benoist Township, Quebec

The Corporation and Freewest Resources Canada Inc. jointly own (50-50) a 100% interest in 92 mining claims located in Benoist Township, Quebec. Of these mining claims, 3 are subject to a 1% net smelter return royalty and 25 are subject to a 1½% net smelter return royalty.

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2004

3. Mining properties and deferred costs (cont'd.)

Barry Township, Quebec

The Corporation owns 100% interest in 14 mining claims in Barry Township property in the Quevillon - Chibougamau area of north western Quebec.

The Corporation and Freewest Resources Canada Inc. jointly own (50-50) a 100% interest in 76 mining claims of which 35 mining claims were acquired from Jacques Duval; and also jointly own (50-50) a 100% interest in 62 mining claims in Barry and Urban Townships.

These claims are subject to a 2% net smelter return royalty, with a buy back of 1% for \$500,000.

The Corporation and Freewest Resources Canada Inc. jointly own (50-50) a 60% interest in 18 claims, owned by Orient Resources Inc. These claims are subject to a 1% net smelter return royalty.

The Corporation and Freewest Resources Canada Inc. jointly own (50-50) a 100% interest in 36 mining claims. These claims are subject to a 3% net smelter return royalty.

Urban Township, Quebec

The Corporation and Freewest Resources Canada Inc. jointly own (50-50) a 100% interest in 214 mining claims of which 107 mining claims are subject to a 2% net smelter return royalty, half of which may be bought back for \$500,000.

La Treve Properties, Quebec

The Corporation has an option to earn a 100% interest in 106 mining claims of La Treve I property from Jacques Duval in exchange for cash payments of \$200,000 and issuance of 600,000 Murgor shares by 2005. These claims are subject to a 2½% net smelter return royalty, with a buy back of 1% for \$1,000,000.

On July 9, 2001, an addendum to the agreement dated July 26, 2000 was modified to read that the interest in the claims shall be subject to a 2½% net smelter return royalty, with an option to buy back at any time up to 2% of the net smelter return in consideration of payments of \$500,000 for each 0.5% of the net smelter return to be purchased. The Corporation has not met its commitments; however, it has not received any notification in this respect. Should notification be received, the Corporation would have 30 days to fulfill the outstanding commitments, amend the existing agreement or return the claims in good standing to the vendor.

The Corporation has an option to earn a 100% interest in 31 mining claims of the La Treve II property from Explorations Carat Inc. in exchange for cash payments of \$100,000 and issuance of 100,000 Murgor shares by 2003. These claims are subject to a 2½% net smelter return royalty, with a buy back of 1% for \$500,000. The Corporation has not met its commitments; however, it has not received any notification in this respect. Should notification be received, the Corporation would have 30 days to fulfill the outstanding commitments, amend the existing agreement or return the claims in good standing to the vendor.

MURGOR RESOURCES INC.
Notes to Financial Statements
Year Ended April 30, 2004

3. Mining properties and deferred costs (cont'd.)

La Treve Properties, Quebec (cont'd.)

In January 2001, the Corporation and Freewest Resources Canada Inc. entered into a 50-50 joint-venture on 50 map-designated mining claims of the La Treve III property in the Chapais area of Northwestern Quebec.

The Corporation and Freewest Resources Canada Inc. have formed a 50-50 joint venture to earn a 100% interest in 75 mining claims located in the Guettard, Berey, Daine and Lantagnac Townships, Quebec, owned by Explorations Carat Inc. To earn a 100% interest in the claims, Freewest Resources Inc. must make total cash payments of \$165,000 and Murgor Resources must issue 400,000 shares by 2005. These claims are subject to a 2½% net smelter return royalty, with an option to purchase, at any time, up to 1½% net smelter return in consideration of payments of \$500,000 for each 0.5%, for the total sum of \$1,500,000. The Corporation and Freewest Resources Canada Inc. have not met their commitments; however, they have not received any notification in this respect. Should notification be received, the joint venture would have 30 days to fulfill the outstanding commitments, amend the existing agreement or return the claims in good standing to the vendor.

Lac Coulomb, Quebec

The Corporation acquired a 50% interest in 5 mining claims of the Lac Coulomb I property, in the area of Lac Coulomb, Quebec from Fancamp Exploration Ltd., in exchange for a cash payment of \$5,000 and incurring \$10,000 in exploration work.

Mishibishu Township, Ontario

The Corporation acquired a 100% interest in 64 mining claim units from Audrey Elizabeth Traverse in exchange for cash payments of \$70,000 and issuance of 80,000 Murgor shares. These claims are subject to a 2% net smelter return royalty, half of which may be bought back for \$500,000.

The Corporation acquired a 100% interest in 49 mining claim units from Jeff Pinksen in exchange for cash payments of \$16,000 and issuance of 80,000 Murgor shares. These claim units are subject to a 2% net smelter return royalty, half of which may be bought back for \$1,000,000.

The Corporation and Huntington (Goldust Mines Ltd.) jointly own (50-50) a 100% interest in 1 mining claim unit.

Mount Pleasant, New Brunswick

The Corporation owns a 100% interest in 47 mining claims in the Mount Pleasant area of New Brunswick.

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2004

4. Capital stock

(a) The authorized and issued capital stock of the Corporation consists of the following:

Authorized: An unlimited number of common shares

	2 0 0 4		2 0 0 3	
	\$	#	\$	#
Issued	<u>13,000,526</u>	<u>44,986,893</u>	<u>11,100,043</u>	<u>26,381,868</u>

67,500 of the issued shares are subject to escrow conditions.

During the year, the Corporation entered into the underlying share capital transactions:

	2 0 0 4		2 0 0 3	
	\$	#	\$	#
Issuance of shares on acquisition of mining properties	37,500	250,000	-	-
Issuance of shares under flow-through agreements	1,251,500	12,540,000	-	-
Issuance of shares for cash	426,598	4,240,975	-	-
Issuance of shares for services	10,000	83,340	-	-
Issuance of shares for settlement of debts	174,885	1,490,710	-	-
	<u>1,900,483</u>	<u>18,605,025</u>	<u>-</u>	<u>-</u>

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2004

4. Capital stock (cont'd.)

(b) Stock option plan

In September 1996, the Corporation adopted a stock option plan which allows eligible individuals to purchase the Corporation's common shares at not less than the closing price on the trading day immediately proceeding the day the option is granted. The options granted are not transferable and must be exercised no later than ten years after the date of grant. Unexercised options are cancelled upon the termination of employment or services. In March 1999, the Corporation increased the number of shares available from 3,474,940 to 4,998,446 and in October 2002 from 4,998,446 to 5,276,374 for issuance under the stock option plan. A total of 4,686,593 options had been granted at exercise prices ranging from \$0.10 to \$0.16 per share.

On January 31, 2002, 1,265,000 stock options were re-priced at an exercise price of \$0.12 per share which were originally granted at exercise prices ranging from \$0.25 to \$0.40 per share.

Summary of changes during 2003 and 2004 are as follows:

	Number of Options	<u>Weighted</u> Average Exercise Price
	#	\$
BALANCE - APRIL 30, 2002	3,215,000	0.14
Cancelled	(238,407)	0.14
Granted	960,000	0.14
BALANCE - APRIL 30, 2003	3,936,593	0.14
Cancelled/expired	(150,000)	0.15
Granted	900,000	0.11
BALANCE - APRIL 30, 2004	4,686,593	0.13

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2004

4. Capital stock (cont'd.)

Options

	Number of Common <u>Shares</u> #	Exercise <u>Price</u> \$	<u>Expiry Date</u>
Senior Executives, Directors and Employees	480,000	0.12	January 31, 2007
	150,000	0.12	May 10, 2007
	551,593	0.14	May 29, 2007
	210,000	0.12	July 30, 2007
	500,000	0.10	May 29, 2008
	935,000	0.12	September 2, 2008
	400,000	0.13	February 19, 2009
	60,000	0.15	December 17, 2009
	970,000	0.15	July 18, 2010
	330,000	0.16	December 22, 2010
Consultants	100,000	0.16	December 22, 2005

Accounting for the stock-based compensation plan

The fair value of 500,000 options granted was estimated using the Black-Scholes options pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	4%
Expected volatility	145%
Dividend yield	Nil
Weighted average expected life	5 years

The expenses related to the stock option granted to employees on May 29, 2003 was classified under the "administration" (\$45,000).

The fair value of 400,000 options granted was estimated using the Black-Scholes options pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	3.52%
Expected volatility	204%
Dividend yield	Nil
Weighted average expected life	5 years

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2004

4. Capital stock (cont'd.)

The expenses related to the 400,000 stock option granted to directors, officers and employees on February 19, 2004 was classified under the "Administration" (\$50,800).

The Company did not record compensation cost on the granting of stock options, as described in Notes 2 and 4(b) in its audited financial statements for the year ended April 30, 2003. If the stock options had been determined based on the fair value at the grant dates for awards under the plan for options awarded on or after May 1, 2002, the Corporation's net loss and loss per share would have been increased to the pro-forma amounts as follows:

Net loss, as reported	\$	(209,855)
Add: Compensation expense as determined under fair-value method		(113,610)
<hr/>		
Pro-forma net loss	\$	(323,465)
<hr/>		
Loss per share, as reported	\$	(0.0080)
<hr/>		
Loss per share, as pro-forma	\$	(0.0118)

These pro-forma figures include compensation cost that were calculated using Black-Scholes options pricing model with the following assumptions: risk free interest rate of 4%; expected rate of volatility of 145% and expected life of options of 4 years.

The new recommendations of the Canadian Institute of Chartered Accountants (CICA) for the calculation of earnings per share have no effect on the current period or prior period's calculations as any exercise would have been anti-dilutive.

(c) Warrants

	Number of Warrants	Weighted Average Exercise Price
	#	\$
Balance at beginning – April 30, 2003	2,700,000	0.15
Granted	11,816,475	0.13
Expired	(2,700,000)	0.15
<hr/>		
Balance at end – April 30, 2004	11,816,475	0.13

MURGOR RESOURCES INC.
Notes to Financial Statements
Year Ended April 30, 2004

4. Capital stock (cont'd.)

Warrants

	Number of Common <u>Shares</u> #	Exercise <u>Price</u> \$	<u>Expiry Date</u>
Flow-through and common shareholders	5,000,000	0.13	May 24, 2005
	2,730,975	0.13	June 17, 2005
	2,700,000	0.13	November 28, 2005
	835,500	0.13	December 17, 2005
	550,000	0.13	December 18, 2005

5. Related party transactions

All related party transactions are in normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties.

- (i) Prepaid expenses include an amount of \$15,709 representing advances to the President for professional services in his capacity as consulting geologist and qualified person.
- (ii) Certain directors of the Corporation are also shareholders and directors of related corporations. The related corporations charged an aggregate amount of \$21,025 (2003 - \$57,255) for administrative costs and services, shared office expenses and exploration expenditures.
- (iii) Due to (from) related corporations significantly represent the net amount of charges for shared office and related expenses, as well as joint venture exploration expenditures between Murgor Resources Inc. and Freewest Resources Canada Inc..

Three directors and shareholders of the Corporation are also directors, officers and shareholders of Freewest Resources Canada Inc..

- (iv) Amounts due to (from) related parties are non-interest bearing with no specific terms of repayment.
- (v) \$47,000 (2003 - \$17,500) represents the remuneration to the President in his capacity as consulting geologist and qualified person.

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2004

5. Related party transactions (cont'd.)

- (vi) Two directors and shareholders of the Corporation have lent \$16,000 (2003 – \$Nil) to the Corporation. An amount of \$500 was charged to cover interest and administrative cost.

Also, the Corporation had a loan in the amount of \$15,000 from a related Corporation for which \$1,000 was charged to cover interest and administrative cost.

- (vii) During the year the Corporation issued 1,490,710 common shares for settlement of \$174,885 of debt for shared office space and related costs and also for geologist services.

6. Statements of cash flows

(a) Cash and cash equivalents

The cash and cash equivalents include cash on hand, bank balances and term deposit with maturity of three months or less.

(b) Non-cash components of working capital

Non-cash components of working capital are as follows:

	2004	2003
	\$	\$
Decrease (increase) of:		
Accounts receivable	(89,875)	995
Due from related corporations	(46,962)	-
Prepaid expenses	(17,954)	387
	(154,791)	1,382
(Decrease) increase of:		
Accounts payable and accrued liabilities	197,250	(2,581)
Due to related corporations	(154,885)	83,857
Due to director	(12,933)	19,402
	(125,359)	102,060

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2004

6. Statements of cash flows (cont'd.)

	2004	2003
	\$	\$
(c) Mining Properties and Deferred Costs		
Total increase in mining properties	46,559	2,118
Acquired by issuance of shares	(37,500)	-
Proceeds from disposition of mining claims	-	22,200
	9,059	24,318
(d) Interest and income taxes paid		
Interest paid	1,500	2,454
Income taxes paid	Nil	Nil

7. Joint ventures

Certain of the Corporation's exploration and development activities are being explored with partners pursuant to joint venture agreements. The Corporation's pro-rata share of the accounts of the joint venture, which has been included in the financial statements of the Corporation is as follows:

	2004	2003
	\$	\$
Net assets		
Mining properties and deferred costs	2,538,864	2,346,427
Cash flows		
Cash flows used for mining properties and deferred costs	194,424	101,746

MURGOR RESOURCES INC.
Notes to Financial Statements
Year Ended April 30, 2004

8. Income taxes

Future tax balances

(a) The future income tax balances are summarized as follows:

	2004	2003
	\$	\$
Current future income tax assets		
Non-capital losses	98,900	125,000
Share issue costs	17,600	9,400
	116,500	134,400
Valuation allowance	(116,500)	(134,400)
Current future income tax assets	-	-
Long-term future income tax assets		
Mining assets and deferred exploration expenses	918,600	1,271,000
Non-capital losses	433,300	484,000
Share issue costs	40,700	12,000
	1,392,600	1,767,000
Valuation allowance	(1,392,600)	(1,767,000)
Long-term future income tax assets	-	-
Total future income tax assets	-	-

(b) Tax loss carryforwards

At April 30, 2004 the Corporation had losses carry-forward of \$1,364,687 available to reduce future years' taxable income. These losses expire as follows:

2005	\$	253,594
2006		251,709
2007		196,688
2008		199,301
2009		188,148
2010		119,616
2011		155,631
	\$	1,364,687

Potential tax savings resulting from the application of the benefits have not been reflected in the financial statements.

MURGOR RESOURCES INC.
Notes to Financial Statements
Year Ended April 30, 2004

9. Subsequent events

- (a) On May 12, 2004, the corporation signed a letter of intent with Osisko Exploration Ltd. and Freewest Resources Canada Inc. giving Osisko the right to acquire a majority interest in the Barry Gold Deposit. The letter of intent gives Osisko the right to acquire a
- (i) 55% interest in the Barry property in consideration for:
 - (a) \$225,000 payable over a one-year period, of which \$50,000 is payable on signing of the Agreement;
 - (b) issuing 100,000 common shares on signing of the Agreement;
 - (c) providing a 43-101 compliant, near-surface, drill-measured resource; and
 - (d) providing a bankable feasibility study within twenty-four months of signing of the Agreement.
 - (ii) An additional 10% interest can be earned by Osisko by:
 - (a) issuing an additional 200,000 common shares;
 - (b) issuing a production notice;
 - (c) securing financing for 100% of development costs.

Should Osisko earn its 65% interest in the property, it shall be responsible for 65% of mining development costs, and Murgor (and Freewest where applicable) shall be responsible for 35% of such costs.

- (b) On June 29th, 2004 the Corporation signed an agreement with Freewest Resources Canada Inc. and Jacques Duval whereby Murgor and Freewest (50-50) acquired a 100% interest in 75 mining claims of the La Treve IV Property and the 5 mining claims of the La Treve V Property. In the same agreement, Murgor acquired a 100% interest in the 106 mining claims of the La Treve I Property. The agreement was subject to Murgor and Freewest reaching a satisfactory agreement with Dianor Resources Inc. on the subject properties. The aggregate purchase price for the Claims was 100,000 common shares of Dianor, 50,000 common shares of Murgor and 50,000 common shares of Freewest.

Should Dianor discover a diamondiferous kimberlite on the subject property, Dianor shall issue 250,000 common shares of Dianor to Murgor, Freewest and Jacques Duval, the distribution of which will be dependent on the subject property wherein the diamondiferous kimberlite is found.

Duval retains a 2% net smelter return royalty with respect to the Claims or a 2% gross overriding royalty should a royalty be paid as a result of a diamond mine. Murgor and/or Freewest have the option to buy back up to 1% of this royalty at anytime for \$1,000,000.

MURGOR RESOURCES INC.
Notes to Financial Statements
Year Ended April 30, 2004

9. Subsequent events (cont'd.)

- (c) On July 5th, 2004 the Corporation signed an agreement with Freewest Resources Canada Inc. and Dianor Resources Inc. whereby Dianor acquired the rights to explore, mine extract and sell diamonds on the 157 mining claims of the La Treve III, IV and V Properties held jointly (50-50) by Murgor and Freewest, and on 106 mining claims of the La Treve I Property held 100% by Murgor.

The aggregate purchase price for the acquisition of these rights by Dianor is \$5,000 payable within one year of the signing of this agreement (\$3,500 to Murgor and \$1,500 to Freewest), 100,000 common shares of Dianor, payable upon signing of this agreement to Jacques Duval, and reimbursement of preliminary field work amounting to the sum of \$12,650 (which includes a 10% administration fee payable to Murgor Resources) payable within 6 months of the signing of this agreement, upon billing by Murgor.

Dianor shall be required to spend a minimum of \$50,000 worth of exploration expenditures on the subject properties.

Dianor shall also issue a total of 250,000 common shares of Dianor to Murgor and/or Freewest upon the discovery of a diamondiferous kimberlite on the Murgor & Freewest Claims.

Murgor and/or Freewest retain a 2% gross overriding royalty with respect to diamonds extracted from the Claims. Dianor has the right to buy back a 1% gross overriding royalty for \$1,000,000.

In the event Dianor's exploration for diamonds results in the discovery of a new occurrence (not previously known by Murgor and/or Freewest) of a commodity other than diamonds, Dianor shall have the option to gain a participating interest of up to 25% on the Murgor La Treve I Property and up to 20% on the Murgor & Freewest Claims.

BOARD OF DIRECTORS

W. Michael Atkins, Geol
Dr. Michael D. Doggett
Ronald Kay
David W. Moore
Mark Schneiderman CFE,CA
André C. Tessier P. Eng, P. Geol
Mackenzie I. Watson P. Eng

OFFICERS

W. Michael Atkins, Geol
Chairman of the Board

André C. Tessier P. Eng, P. Geol
President and CEO

Mark Schneiderman CFE,CA
Secretary-Treasurer

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INCORPORATION

Continued under the
Canada Business Corporations Act
September 21, 1989

EXCHANGE LISTING

TSX Venture Exchange
Symbol : MUG

CAPITAL STOCK

Authorized
Unlimited

Issued
44,986,893 (April 30, 2004)

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ANNUAL MEETING

Friday, October 29, 2004 at 10:30 a.m.
Maisonneuve B Room
Marriott Chateau Champlain
1 Place du Canada
Montreal, Quebec
H3B 4C9