

**MURGOR RESOURCES INC.**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2004**

**STATEMENT CONCERNING THE INTERIM FINANCIAL STATEMENTS**

Management has compiled the unaudited interim financial statements as at October 31, 2004 and for the three-month and six-month periods ended October 31, 2004 and 2003. The statements have not been audited or reviewed by the company's auditors or any other firm of chartered accountants.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS AS AT DECEMBER 23, 2004**

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-month period and six-month periods ended October 31, 2004 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 2005 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**

The past few months have been quite exciting at Murgor both in the field and on the market. Murgor continued its exploration efforts during the fall to explore on its Windfall, Eagle River and La Treve properties in northern Québec, on the Mishibishu and Mystery properties in northern Ontario and, on the Mount Pleasant property in New Brunswick. More recently, Murgor has been conducting drilling programs on both the Windfall and Eagle River properties in Quebec. Meanwhile, Murgor was closing its fiscal year 2004 with its annual meeting in Montreal on October 29<sup>th</sup>, 2004.

Finally, Murgor's exploration efforts culminated in late October with the announcement of excellent exploration results in the Windfall Lake area. This news was combined with excellent results from Noront Resources on the adjoining property to the south, and sent both stocks to new heights. Murgor reached a share price of \$0.26 per share, not seen since January of 1999. Furthermore, Murgor traded nearly 27 million shares in the two months prior to December 23<sup>rd</sup>, averaging nearly 600,000 shares traded per day during that period. The Northern Miner showed Murgor in the top ten list of most traded stocks for the week of Oct. 20-26, and as the most heavily traded stock on the TSX Venture for the week of Oct. 27<sup>th</sup> to Nov. 02 (Northern Miner, Nov. 5-11). The new discoveries at Windfall Lake was worth a mention in the Québec Business newspaper "Le Journal Des Affaires" (Dec., 04, 2004) as one of the four (4) most promising exploration plays in Québec.

## 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 km 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.

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.

Although Murgor was not directly active on the Barry property during this quarter, Osisko continued its drilling of the Barry Gold deposit in an effort to define additional near-surface gold resources. Five (5) claims of the property have been under option with Osisko Exploration Ltd since May 03, 2004.

### Osisko's Progress on the Barry Gold Deposit

In a Press Release dated October 20<sup>th</sup>, Osisko announced the results from its third phase of drilling at Murgor's Barry Gold Deposit. Highlights of the 27 drill hole program new include **19.62 meters grading 5.31 g/t Au (DDH BA04-136)**, **18.75 meters grading 4.14 g/t Au (DDH BA04-140)** and **23.0 meters grading 4.22 g/t Au (DDH BA04-143)**. The complete results (taken from the Press Release) are summarized in the table below.

Hole No.	Line	From (m)	To (m)	Length (m)	Au (g/t)
BA04-130	700E	16.82	17.33	0.51	5.79
BA04-136	1123E	0.00	19.62	19.62	5.31
BA04-140	1112E	0.60	19.35	18.75	4.14
<i>including</i>		8.82	12.84	4.02	10.65
BA04-142	1088E	0.00	20.49	20.49	2.66
BA04-143	1088E	0.00	23.00	23.00	4.22
<i>including</i>		7.05	15.01	8.01	8.47
BA04-144	1172E	5.54	13.30	7.76	1.09
BA04-145	995E	0.00	17.68	17.68	3.59
<i>including</i>		0.00	7.83	7.83	6.60
BA04-146	973E	4.00	9.48	5.48	2.39
BA04-147*	950E	16.60	17.19	0.59	12.05
BA04-148	1058E	-	-	-	nsr
BA04-149	1036E	-	-	-	nsr
BA04-150	1016E	5.40	8.14	2.74	2.12
BA04-150	1016E	32.78	33.81	1.03	4.70
BA04-151	1088E	0.70	12.96	12.26	2.88

\* additional assays pending; nsr= no significant results

The near-surface Main Zone of the Barry deposit has been extended to a strike length of approximately 250 meters (lines 950E to 1200 E), a width of between 30 to 80 meters, and to a vertical depth of between 5 to 25 meters. A high-precision GPS survey of drill collars has recently been completed, in preparation for a NI 43-101 compliant resource estimate on the shallow gold intercepts from the Main Zone, anticipated to be completed by year end.

Drilling scheduled for the winter 2005 will focus on defining the southwest continuation of the near-surface mineralization in the Main Zone, and will also target Zone 45 and Zone 48: Zone 45, extending from line 700E to line 950E, south of the SW Extension; and Zone 48, extending from line 300E to line 450E, southwest of the SW Extension.

## QUEBEC (Cont'd)

### THE WINDFALL GOLD PROPERTY

In a **Press Release dated Oct. 28, 2004**, following the completion of its trench mapping and channel sampling program, Murgor was announcing the discovery of the IPE Gold Occurrence: **a 5.9 meter long channel sample taken across strike, averaging a grade of 40.62 g/t Au**. In total, the discovery of four (4) new gold occurrences was announced in the same Press Release:

1. **The IPE Gold Occurrence**, where best results were encountered. Channel samples have returned assays of **40.62 g/t Au over a 5.90 meter** interval, 3.19 g/t Au over 2.60 meters and 1.72 g/t Au over 1.00 meter.
2. **The Road Side Gold Occurrence** where best intervals to date returned assays of 1.05 g/t Au and 1.26 g/t Au on 1.00 meters.
3. **The Simple Gold Occurrence** where best intervals to date returned assays of 1.68 g/t Au and 0.79 g/t Au on 1.00 meters.
4. **The Float Gold Occurrence** that could not be mapped or sampled due to caving following heavy rains in late summer, but where four grab samples assayed 310 ppb Au, 440 ppb Au, 6.87 g/t Au and 9.83 g/t Au in early August.

Earlier in October, in a Press Releases dated October 20, 2004 Noront Resources was announcing a drill intercept of 8.55 g/t Au over 13.4 meters in their drill hole NOT-04-27. Drill hole NOT-04-27 lies approximately 200 meters south of the south central boundary of Murgor's Windfall property where Murgor's new gold occurrences were discovered. It is following these announcements that Murgor's share price climbed up to \$0.185 per share (Nov. 19th).

Meanwhile, exploration work continued at the Windfall Property. Murgor completed the interpretation of three (3) induced polarization geophysical surveys on the property covering a total of 14 square kilometers and including the area where Murgor discovered new gold occurrences. Other areas covered this year by induced polarization surveys include intersections between EW-trending and NE-trending auriferous structures. In addition to geophysics, Murgor's exploration program for 2004 included: (i) geological mapping and prospecting; (ii) mechanical trenching; and (iii) geochemical sampling. Numerous targets were outlined for drill testing (see Induced Polarization Map in the "Projects" section of this website).

Drilling started on November 15<sup>th</sup>, 2004 (Press Release dated November 8th, 2004) and eleven (11) drill holes were completed before the holiday season. Results are pending as of the date of this statement and complete assay results will be communicated as soon as possible through a press release.

Drilling by Murgor and joint venture partner Freewest is expected to continue at the Windfall property well into year 2005.

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

In mid-September, Murgor received the interpreted results from the 32 kilometers IP survey completed in late-August on the NE part of the property. The survey was designed to cover NE-trending structures with magnetic-low signatures, to detect possible disseminated mineralization prospective for gold. A number of chargeability anomalies have been detected that need further testing.

Drilling started on this part of the property on November 27<sup>th</sup> (see Press Release dated November 26, 2004). Five (5) drill holes were completed before breaking for the holiday season. Assay results are pending but drilling will resume in mid-January of 2005.

On the southern part of the property, a follow-up ground geophysical and geological survey was carried out after the helicopter borne EM/Mag survey of 850 line kilometers. Only 12 of 40 airborne EM conductors were verified in the field (as other anomalies are covered by overburden). Six (6) of the anomalies consisted of siliceous exhalative rocks and the other six consisted of graphitic sediments and volcanoclastic rocks. Best assay results to date are on two exhalative conductors with 0.92% and 0.13% Zn. Follow-up ground geophysics is planned for early 2005.

## **QUEBEC (Cont'd)**

### **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 Béréy, Lantagnac, Guettard and Daine Townships, approximately 80km WNW of the Chibougamau Mining District in northwestern Quebec.

The interpretation of a 40 line-kilometre induced polarization survey was completed in September and outlined a number of high priority chargeability anomalies with seven (7) anomalies delineating the extensions of the La Trève I and I-A, and La Trève IV PGE-Cu-Ni occurrences.

A fall/winter drilling program is planned on this property to follow-up on these results.

## **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 hosts numerous gold occurrences that 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. Drill results at Dorset 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.

Mechanical trenching, detail mapping and channel sampling programs ended November 05 with the following results:

#### OCCURRENCES OF ANOMALIES #26, #27 AND #33:

Trenching has showed that the induced polarization geophysical data needs to be reinterpreted since the anomalies do not show the predicted trends. To date, the anomalies appear to be responding to NW- and NE-trending shear zones of up to 2m wide with disseminated pyrite-arsenopyrite. A best assay result to date is 0.95 g/t Au over 2.20m. Follow-up ground geophysics is planned for early 2005 and a structural study is planned for next summer.

#### THE WALK-OUT AND BB VEIN OCCURRENCES:

The Walk-Out and BB vein occurrences represent the most westerly known extension of the Marten Zone, some 400m west of the nearest drill hole on the Marten Zone. The vein has now been exposed through this phase of mechanical trenching and best channel sampling returned: 5.65m @ 1.23 g/t Au on the BB occurrence and 10.0m @ 1.08 g/t Au at the Walk Out occurrence. The structure consists of a 12 meter wide, sub-vertical shear zone with up to 70% quartz-vein material. Quartz veins and sheared rocks contain up to 5% disseminated pyrite and arsenopyrite. Follow-up ground geophysics is planned for early 2005 and a structural study is planned for next summer.

Drilling was planned for the fall-winter of 2004 but drill availability and costs has forced Murgor to delay drilling to 2005.

## **ONTARIO (Cont'd)**

### **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.

Interpretation of the 30 line kilometers soil geochemical survey on the property was completed in early November and shows several anomalies of up to 18ppb Au on the small grid in the south central part of the property. The grid was covered by an induced polarization geophysics survey that was completed on December 22<sup>nd</sup>. Interpretation is underway and results are expected in early 2005.

Meanwhile, satisfied and optimistic about the results of the 2004 exploration program at the Mystery property, Murgor acquired the Kashabowie property from Noront Resources (see Press Release dated Oct. 25, 2004).

Under the terms of the Agreement, dated October 21, 2004, Murgor has the right to acquire a 50% interest in the Moss Property in consideration for (i) paying \$5,000, payable on signing of a formal Agreement; (ii) issuing 200,000 common shares on signing of the Agreement; (iii) issuing 200,000 common shares on each of the two following anniversary dates of the Agreement; and (iv) committing \$600,000 of exploration expenditures over the three (3) years following the signing of the Agreement. Murgor can acquire an additional 10% interest by drilling an additional 5,000 meters on the property. The Agreement is subject to regulatory approval.

Noront's Property is located is contiguous with Murgor's 100% owned Mystery Property to the northeast. The Properties are located in the Shebandowan Belt and cover a strike length of approximately 3.5 kilometers of the northeast extension of the La Rose Shear Zone where Freewest Resources Canada Inc. has intermittently exposed a mineralized corridor over a 4 kilometer strike length (see news in Stockwatch on August 06, 2004). 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 (see news in Stockwatch on August 06, 2004).

## **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.

At the Mount Pleasant Gold Property, interpretation of the soil geochemical survey was completed in early November and shows very few anomalous gold samples. The data will be reviewed and incorporated in the multi-disciplinary exploration program for evaluation.

## **RESULTS OF OPERATIONS**

### **Three-month period ended October 31, 2004 compared with three-month period ended October 31, 2003**

For the three month ended October 31, 2004, the Corporation reported a net loss of \$82,830 or \$0.0018 per share, compared to a loss of \$40,201 or \$0.0015 per share in the same period of 2003.

Revenue totaled \$5,697 at October 31, 2004 as compared to a loss of \$30 at October 31, 2003. The increase of \$5,727 was comprised of: \$2,731 of interest income on bank balances as a result of the equity financings in fiscal 2004, \$2,246 in operator's fees charged for project administration and \$750 in other income. Interest and bank charges totaled \$NIL compared to \$38 (October 31, 2003).

The net loss for the three-month period included a write-off due to abandonment of properties of \$12,363 (\$7,982 – October 31, 2003). Expenses excluding the write-off due to abandonment of properties totaled \$76,164 compared to \$32,189 for the three-month period ended October 31, 2003.

The increase of \$43,975 in operating expenses over the similar period in 2003 was related directly to increased corporate activity. The reduction in Professional and accounting fees of \$4,823 to \$25,626 (\$30,449 – October 31, 2003) was related to professional services provided during the period and estimated year-end accruals. Administration expenses and other were higher due to the shared office and related expenses and Directors and Officers Liability insurance expenses. Filing costs and shareholders' information totaled \$28,637 compared to \$12,924 (October 31, 2003). The increase of \$15,713 related to higher advertising, promotion, and public relation costs due to increased corporate activity, higher regulatory fees and costs of the preparation and issuance of the Company's shareholders' information. Loss due to write-down of marketable securities was \$1,800 (\$NIL – October 31, 2003) as the market value of the underlying marketable securities had decreased from \$26,100 to \$24,300. Stock option compensation expense related to the granting of 250,000 stock options was \$15,000 (\$NIL – October 31, 2003) and was based on the fair market value of the award recognized over the related service period.

### **Six-month period ended October 31, 2004 compared with six-month period ended October 31, 2003**

For the six-month ended October 31, 2004, the Corporation reported a net loss of \$107,463 (\$70,773 – October 31, 2003). Revenue totaled \$11,948 at October 31, 2004 as compared to a loss of \$68 at October 31, 2003. The increase of \$12,016 was comprised of: \$6,305 in interest income on bank balances as a result of the equity financings in fiscal 2004, \$4,961 in operator's fees charged for project administration and \$750 in other income. Interest and bank charges totaled \$NIL compared to \$38 (October 31, 2003).

The net loss for the six-month period included a write-off due to abandonment of properties of \$22,188 (\$16,037 – October 31, 2003). Expenses excluding the write-off due to abandonment of properties totaled \$97,223 (\$54,668 – October 31, 2003). Administration expenses and other of \$10,085 increased by \$9,357 (\$728 – October 31, 2003) and consisted of \$5,987 for shared office and related expenses and \$3,370 for Directors and Officers Liability insurance. Filing costs and shareholders' information was \$36,900 as compared to \$17,099 (October 31, 2003). The increase of \$19,801 was made up of \$7,943 in advertising, promotion, and public relation costs related to increased activity of the company; \$3,412 due to higher filing and regulatory fees and an \$8,446 regarding the preparation and dissemination of quarterly and annual reporting documentation. Loss due to write-down of marketable securities was \$1,800 (\$2,000 – October 31, 2003) and was based on the market value of the underlying marketable securities. The compensation cost related to the granting of stock options was recognized in Deferred Exploration expenses \$7,500 (\$NIL – October 31, 2003) and \$15,000 (NIL – October 31, 2003) in Administration expenses as Stock option compensation.

### **SUMMARY OF QUARTERLY RESULTS**

The following table presents unaudited selected financial information for nine of the most recently completed financial quarters:

	2005		2004				2003		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	5,697	6,251	8,117	37,417	(30)	(38)	(357)	37	65
Net loss	(82,830)	(24,633)	(192,271)	(12,313)	(40,201)	(30,572)	(82,667)	(27,820)	(70,960)
Net loss per share – basic & diluted	(0.0018)	(0.0006)	(0.0057)	(0.0005)	(0.0015)	(0.0012)	(0.0031)	(0.0011)	(0.0027)

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

### Six-month period ended October 31, 2004 compared with six-month period ended October 31, 2003

As at October 31, 2004, the Company maintained a cash and equivalent position of \$430,012 (\$1,514 as at October 31, 2003) and working capital of \$462,656 as compared to a working capital deficiency of \$280,289 as at October 31, 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 did not complete any financings during the six-month period ended October 31, 2004. During the six month period ended October 31, 2003, the Corporation issued 200,000 common shares in settlement of a \$20,000 debt to a director.

## MINING PROPERTIES AND DEFERRED COSTS

	April 30, 2004	Expenditures	Proceeds from option agreements	(Write-off)	October 31, 2004
	\$	\$	\$	\$	\$
<b>Quebec</b>					
Fancamp Township					
Acquisition	35,251				35,251
Exploration	1,536,243	46			1,536,289
Benoist Township					
Acquisition	30,183				30,183
Exploration	849,993				849,993
Barry Township					
Acquisition	513,311	2,309	(138,600)		377,020
Exploration	1,736,829	14,356			1,751,185
Urban Township					
Acquisition	71,351	1,172			72,523
Exploration	486,386	164,400			650,786
La Treve					
Acquisition	128,918	5,764			134,682
Exploration	218,707	69,297			288,004
Riviere de L'Aigle					
Acquisition	4,909	3,036			7,945
Exploration	33,484	90,438			123,922
Others					
Acquisition	5,439				5,439
Exploration	13,100	9,981		(9,981)	13,100
	5,664,104	360,799	(138,600)	(9,981)	5,876,322

## MINING PROPERTIES AND DEFERRED COSTS (Cont'd)

	April 30, 2004	Expenditures	Proceeds from option agreements	(Write-off)	October 31, 2004
	\$	\$	\$	\$	\$
<b>Ontario</b>					
Mishibishu Township					
Acquisition	67,835				67,835
Exploration	61,591	93,754			155,345
Mystery					
Acquisition	2,400	5,000			7,400
Exploration	604	59,384			59,988
Others					
Acquisition					
Exploration		8,107		(8,107)	
	132,430	166,245		(8,107)	290,568
<b>New Brunswick</b>					
Mount Pleasant					
Acquisition	8,027	500			8,527
Exploration	55,890	18,196			74,086
Other					
Acquisition					
Exploration		4,100		(4,100)	
	63,917	22,796		(4,100)	82,613
<b>Canadian Properties</b>	<b>5,860,451</b>	<b>549,840</b>	<b>(138,600)</b>	<b>(22,188)</b>	<b>6,249,503</b>
<b>Stock Option Compensation</b>		7,500			7,500
	<b>5,860,451</b>	<b>557,340</b>	<b>(138,600)</b>	<b>(22,188)</b>	<b>6,257,003</b>

## RELATED PARTY TRANSACTIONS

Details of related party transactions are outlined in Note 5 of the interim financial statements.

## STOCK OPTION PLAN

On October 29, 2004, the 2004 Stock Option Plan (the "2004" Plan) was approved at the annual shareholders meeting. Among the objectives of the 2004 Plan is to provide directors, officers and employees of, and service providers to, the Corporation with a proprietary interest through the granting of options to purchase common shares of the Corporation. The 2004 Plan is also intended to increase the interest in the Corporation's welfare of those directors, officers, employees and service providers who share primary responsibility for the management, growth and protection of the business of the Corporation, to furnish an incentive to such directors, officers, employees and service providers to continue their services for the Corporation and to provide a means through which the Corporation may attract persons to enter its employment.

Under the 2004 Plan, the Board of Directors of the Corporation may by resolution grant options to directors, officers, employees of and service providers to, the Corporation, provided that the total number of shares issued under the 2004 Plan does not exceed 4,000,000. The total number of shares which may be issued under the 2004 Plan represents approximately 8.8% of the Corporation's currently issued and outstanding shares. The Corporation expects to grant options under the 2004 Plan over a period of several years. At present, there are options outstanding in respect of 4,686,593 common shares under the 1996 Plan, and options may be granted in respect of an additional 9,781 common shares under the 1996 Plan. The Corporation may continue to grant options under the 1996 Plan even after shareholder and regulatory approval is obtained for the 2004 Plan.

The Corporation granted on September 8, 2004, 250,000 stock options to a consultant at an exercise price of \$0.135 expiring on November 8, 2005 and a total of 100,000 stock options to three consultants at an exercise price of \$0.10 expiring on September 9, 2006.

## **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 audited 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 audited 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 interim 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. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

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

(signed) Mark Schneiderman, CFE, CA  
Secretary-Treasurer

**MURGOR RESOURCES INC.****Interim Balance Sheets**

	<b>October 31 2004 (Unaudited)</b>	<b>April 30 2004 (Audited)</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets		
Cash	19,182	31,717
Cash held for exploration work	410,830	1,022,949
Marketable securities (note 3)	24,300	-
Accounts receivable	91,878	94,737
Due from related corporations (note 5)	92,053	46,962
Prepaid expenses (note 5)	31,826	21,146
	<u>670,069</u>	<u>1,217,511</u>
Mining properties and deferred costs	<u>6,257,003</u>	<u>5,860,451</u>
	<u><u>6,927,072</u></u>	<u><u>7,077,962</u></u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	192,271	258,996
Due to directors (note 5)	15,142	14,344
	<u>207,413</u>	<u>273,340</u>
<b>Shareholders' equity</b>		
Capital stock (note 4)	13,000,526	13,000,526
Contributed surplus (note 4)	118,300	95,800
Deficit	<u>(6,399,167)</u>	<u>(6,291,704)</u>
	<u>6,719,659</u>	<u>6,804,622</u>
	<u><u>6,927,072</u></u>	<u><u>7,077,962</u></u>

*See accompanying notes to financial statements*

Approved on Behalf of the Board:

(signed) André C. Tessier      Director

(signed) Mark Schneiderman      Director

**MURGOR RESOURCES INC.**  
**INTERIM STATEMENTS OF OPERATIONS AND DEFICIT**  
**(UNAUDITED)**

	Three-month period ended		Six-month period ended	
	October 31		October 31	
	2004	2003	2004	2003
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Revenue</b>				
Interest and other income	5,697	(30)	11,948	(68)
<b>Expenses</b>				
Professional and accounting fees	25,626	30,449	33,438	34,841
Administration expenses and other	5,101	(11,184)	10,085	728
Filing costs and shareholders' information	28,637	12,924	36,900	17,099
Write-off due to abandonment of properties	12,363	7,982	22,188	16,037
Loss due to write-down of marketable securities	1,800	-	1,800	2,000
Stock option compensation	15,000	-	15,000	-
	<u>88,527</u>	<u>40,171</u>	<u>119,411</u>	<u>70,705</u>
Net loss for the period	(82,830)	(40,201)	(107,463)	(70,773)
Deficit - beginning of period	(6,316,337)	(5,881,897)	(6,291,704)	(5,851,128)
Issue costs	-	(1,355)	-	(1,552)
<b>Deficit - end of period</b>	<u>(6,399,167)</u>	<u>(5,923,453)</u>	<u>(6,399,167)</u>	<u>(5,923,453)</u>
Basic and fully diluted net loss per share	<u>(0.0018)</u>	<u>(0.0015)</u>	<u>(0.0024)</u>	<u>(0.0027)</u>
Weighted average number of outstanding shares	<u>44,986,893</u>	<u>26,551,433</u>	<u>44,986,893</u>	<u>26,551,433</u>

*See accompanying notes to financial statements*

**MURGOR RESOURCES INC.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Three-month period ended		Six-month period ended	
	October 31		October 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Cash flows used in operating activities</b>				
Net loss	(82,830)	(40,201)	(107,463)	(70,773)
Adjustments for:				
Write-off due to abandonment of properties	12,363	7,982	22,188	16,037
Loss due to write-down of marketable securities	1,800	-	1,800	2,000
Stock option compensation	15,000	-	15,000	-
	<u>(53,667)</u>	<u>(32,219)</u>	<u>(68,475)</u>	<u>(52,736)</u>
Changes in non-cash components of working capital				
Marketable securities	(26,100)	-	(26,100)	-
Accounts receivable	(30,548)	(2,417)	2,859	(1,193)
Due from related corporations	30,764	-	(45,091)	-
Prepaid expenses	83,007	(380)	(10,680)	(786)
Accounts payable and accrued liabilities	(51,612)	27,995	(66,725)	50,926
Due to related corporations	-	2,768	-	16,002
Due to directors	7,992	-	798	(19,000)
	<u>13,503</u>	<u>27,966</u>	<u>(144,939)</u>	<u>45,949</u>
Cash flows used in operating activities	<u>(40,164)</u>	<u>(4,253)</u>	<u>(213,414)</u>	<u>(6,787)</u>
<b>Cash flows used in investing activities</b>				
Mining claims acquired	(15,766)	(2,396)	(17,781)	(3,124)
Exploration expenditures deferred	(325,897)	(7,210)	(505,959)	(10,711)
Proceeds from option agreements	67,500	-	112,500	-
Cash flows used in investing activities	<u>(274,163)</u>	<u>(9,606)</u>	<u>(411,240)</u>	<u>(13,835)</u>
<b>Cash flows from (used in) financing activities</b>				
Common shares issued	-	-	-	20,000
Issue costs	-	(1,355)	-	(1,552)
Cash flows from (used in) financing activities	<u>-</u>	<u>(1,355)</u>	<u>-</u>	<u>18,448</u>
(Decrease) in cash and cash equivalents	(314,327)	(15,214)	(624,654)	(2,174)
Cash and cash equivalents - beginning of period	744,339	16,728	1,054,666	3,688
<b>Cash and cash equivalents - end of period</b>	<b><u>430,012</u></b>	<b><u>1,514</u></b>	<b><u>430,012</u></b>	<b><u>1,514</u></b>
<b>Cash and cash equivalents are composed of:</b>				
Cash	19,182	1,514	19,182	1,514
Cash held for exploration work	410,830	-	410,830	-
	<b><u>430,012</u></b>	<b><u>1,514</u></b>	<b><u>430,012</u></b>	<b><u>1,514</u></b>

*See accompanying notes to financial statements*

**MURGOR RESOURCES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2004**  
**(UNAUDITED)**

**1. Basis of presentation**

The unaudited interim financial statements are prepared in accordance with generally accepted accounting principles in Canada and use the same accounting policies and methods used in the preparation of the company's most recent audited annual financial statements. All disclosure required for audited annual financial statements have not been included in these unaudited interim financial statements. These unaudited interim financial statements should be read in conjunction with the company's most recent audited annual financial statements.

In the opinion of management, the unaudited interim financial statements reflect all adjustments, which consist of normal and recurring adjustments, necessary to present fairly the financial position at October 31, 2004 and the results of operations and cash flows for the three-month and six-month periods ended October 31, 2004 and 2003.

**2. Use of estimates**

The preparation of the unaudited interim financial statements in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the unaudited interim financial statements and accompanying notes. Management believes that the estimates used in the preparation of the unaudited interim financial statements are reasonable and prudent; however, actual results could differ from these estimates.

**3. Marketable securities**

Marketable securities are carried at the lower of cost and market. As at October 31, 2004, market value was \$24,300 (April 30, 2004 - \$Nil).

**4. Capital stock**

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

Authorized: An unlimited number of common shares

<b>Amount</b>	<b>Number of Shares</b>
<b>\$</b>	<b>#</b>
Issued: Balance October 31, 2004 and April 30, 2004	44,986,893
13,000,526	44,986,893

(b) Stock option plan

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
	<b>#</b>	<b>\$</b>
Balance April 30, 2004	4,686,593	0.13
Granted	375,000	0.12
Balance October 31, 2004	5,061,593	0.13

**MURGOR RESOURCES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2004**  
**(UNAUDITED)**

**4. Capital stock (cont'd)**

(b) Stock option plan (cont'd)

**Accounting for the stock-based compensation plan**

The fair value of 375,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	2.45%
Expected volatility	108.5%
Dividend yield	Nil
Weighted average expected life	1.5 years

The expenses related to the 375,000 stock options granted to consultants on September 8, 2004 and September 9, 2004 were classified respectively under the "Administration" (\$15,000) and "Deferred exploration expenses" (\$7,500).

(c) Warrants

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>
	#	\$
Balance October 31, 2004 and April 30, 2004	<u>11,816,475</u>	<u>0.13</u>

(d) Contributed surplus

	<u>Amount</u>
	\$
Balance April 30, 2004	95,800
Stock options granted	<u>22,500</u>
Balance October 31, 2004	<u>118,300</u>

**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 \$18,894 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 \$26,195 (2003 - \$1,002) for administrative costs and services, shared office expenses and exploration expenditures.

**MURGOR RESOURCES INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2004**  
**(UNAUDITED)**

**5. Related party transactions (cont'd)**

(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) \$36,000 (2003 - \$Nil) represents the remuneration to the President in his capacity as consulting geologist and qualified person.

**6. Subsequent events**

None

**7. Comparative figures**

Certain items in the comparative unaudited interim financial statements have been reclassified from statements previously presented to conform to the presentation of the 2004 unaudited interim financial statements.