FM Resources Corp.

Interim Financial Statements

Six months ended June 30, 2004 and 2003

FM Resources Corp.

Balance Sheets

(unaudited - prepared internally by management)

(Expressed in Canadian dollars)

		As at June 30, 2004		As at December 31, 2003
ASSETS				
Current				
Cash	**$**	**16,173**	$	5,043
Prepaid expenses		**301**		-
Accounts receivable		**2,754**		1,536
		19,228		6,579
Mining capital assets held for resale		**20,000**		20,000
Mineral Property		**1**		1
	$	**39,229**	$	26,580
LIABILITIES				
Current				
Accounts payable & accrued liabilities	**$**	**1,220,358**	$	1,062,856
Loans payable		**1,043,524**		1,021,524
		2,263,881		2,084,380
SHAREHOLDERS' DEFICIENCY				
Share capital		**15,425,998**		15,425,998
Contributed surplus		**305,000**		305,000
Deficit		**(17,955,650)**		(17,788,798)
		(2,224,652)		(2,057,800)
	$	**39,229**	$	**26,580**

On behalf of the Board:

"Christopher Schultze" **Director**

"Luard Manning" **Director**

FM Resources Corp.

Statements of Operations and Deficit

(unaudited - prepared internally by management)

(Expressed in Canadian dollars)

	Six month period ended June 30, 2004	Three month period ended June 30, 2004	Six month period ended June 30, 2003	Three month period ended June 30, 2003
Administrative expenses:				
Administration	$ 36,000	$ 18,000	$ 36,000	$ 18,000
Filing & transfer agent fees	6,420	5,029	6,752	5,266
Interest & bank charges	103,760	53,585	76,903	39,921
Office & Miscellaneous expenses	14,202	8,705	12,167	6,524
Professional fees	3,484	3,484	3,177	1,801
Office rent	3,000	1,500	3,000	1,500
	166,866	90,303	137,999	73,012
Other income:				
Interest & miscellaneous income	(14)	(7)	(12)	(6)
	(14)	(7)	(12)	(6)
Net loss for the period	(166,852)	(90,296)	(137,987)	(73,006)
Deficit, beginning of period	(17,788,798)	(17,865,354)	(17,470,826)	(17,535,807)
Deficit, end of period	$ (17,955,650)	$ (17,955,650)	$ (17,608,813)	$ (17,608,813)
Loss per share - basic and diluted	$ 0.07		$ 0.06	
Weighted average number of common shares outstanding - basic and diluted	2,397,216		2,397,216	

FM Resources Corp.

Statement of Cash Flows

(unaudited - prepared internally by management)

(Expressed in Canadian dollars)

	Six month period ended June 30, 2004	**Three month period ended June 30, 2004**	Six month period ended June 30, 2003	Three month period ended June 30, 2003
Cash provided by (used in):				
Operating activities				
Loss for the period	**$ (166,852)**	**$ (90,296)**	$ (137,987)	$ (73,006)
Changes in non-cash working capital:				
Decrease (Increase) in pre-paid expenses	**(301)**	**(301)**	(895)	(785)
Decrease (Increase) in accounts receivable	**(1,218)**	**629**	(397)	1,444
Increase (Decrease) in accounts payable	**157,502**	**83,933**	134,123	70,205
Cash provided by (applied to) operating activities	**(10,869)**	**(6,035)**	(5,156)	(2,140)
Financing activities				
Loan Payable	**22,000**	**22,000**	5,000	2,000
Cash provided by financing activities	**22,000**	**22,000**	5,000	2,000
Increase (decrease) in cash position	**11,131**	**15,965**	(156)	(140)
Cash & cash equivalents, beginning of period	**5,043**	**208**	2,508	2,491
Cash & cash equivalents, end of period	**$ 16,173**	**$ 16,173**	$ 2,352	$ 2,352

Financial Statements and Note disclosure are to be read in conjunction with the year end audited financial statements for the year ended December 31, 2003.

1. Future Operations

The Company was incorporated under the laws of the Province of British Columbia, Canada and its principal business activities include the exploration and development of mineral properties.

As at June 30, 2004, the Company has a working capital deficiency of $2,244,653 and a cumulative operating deficiency of $17,955,650.

2. Change in Accounting Policy

Effective January 1, 2003, the Company adopted, prospectively, the Canadian Institute of Chartered Accountants Handbook, Section 3870 Stock-based compensation and other stock-based payments. The adoptions of the new accounting policy has no cumulative effect on prior financial statements.

3. Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies adopted by the Company are summarized below:

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 statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

Mining Capital Assets Held for Resale

Mining capital assets held for resale are recorded at their estimated net realizable value.

Mineral Property

The Company has capitalized exploration and development costs specifically identifiable to its mineral property. When commercial production is achieved for a specific property, the costs capitalized will be amortized against revenue realized on production from the property. In the event of the abandonment of a property, the costs capitalized for that property will be charged to operations. The exploration and development costs have been written down to an estimated net realizable value.

Impairment of Long-term Assets

The Company re-evaluates the recoverability of long-term assets, including mining capital assets held for resale and the mineral property based upon estimates using factors such as future asset utilization, business climate and future discounted cash flows expected to result from the use of the related assets or be realized on sale. The Company's policy is to write down these assets to their net recoverable amount in the period when it is determined that the carrying amount is not likely to be recovered.

Income Taxes

The Company has adopted the provision of CICA Handbook Section 3465, Income Taxes. Under this standard, current income taxes are recognized for the estimated income taxes payable for the current period.

Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on future income taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, Section 3465 requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

Cash equivalents

Cash equivalents usually consist of highly liquid investments which are readily convertible into cash with maturities of three months or less when purchased. The Company currently has no cash equivalents.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate.