

**FM Resources Corp.**

**Interim Financial Statements**

**Nine months ended September 30, 2004 and 2003**

# FM Resources Corp.

## Balance Sheets

(unaudited - prepared internally by management)

(Expressed in Canadian dollars)

	As at September 30,		As at December 31,
	<u>2004</u>		<u>2003</u>
<b>ASSETS</b>			
<b>Current</b>			
Cash	\$ 5,113	\$	5,043
Prepaid expenses	301		-
Accounts receivable	1,687		1,536
	7,101		6,579
<b>Mining capital assets held for resale</b>	<b>20,000</b>		<b>20,000</b>
<b>Mineral Property</b>	<b>1</b>		<b>1</b>
	\$ 27,102	\$	26,580
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable & accrued liabilities	\$ 1,292,156	\$	1,062,856
Loans payable	1,043,524		1,021,524
	2,335,680		2,084,380
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	15,425,998		15,425,998
Contributed surplus	305,000		305,000
Deficit	(18,039,576)		(17,788,798)
	(2,308,578)		(2,057,800)
	\$ 27,102	\$	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)

	Nine Month period ended September 30, 2004	Three month period ended September 30, 2004	Nine Month period ended September 30, 2003	Three month period ended September 30, 2003
<b>Administrative expenses:</b>				
Administration	\$ 54,000	\$ 18,000	\$ 54,000	\$ 18,000
Filing & transfer agent fees	7,118	698	6,752	0
Interest & bank charges	161,875	58,115	120,719	43,816
Office & Miscellaneous expenses	17,778	3,576	16,061	3,894
Professional fees	5,526	2,042	9,135	5,958
Office rent	4,500	1,500	4,500	1,500
	<b>250,797</b>	<b>83,931</b>	211,167	73,168
<b>Other income:</b>				
Interest & miscellaneous income	(19)	(5)	(53)	(41)
	<b>(19)</b>	<b>(5)</b>	(53)	(41)
<b>Net loss for the period</b>	<b>(250,778)</b>	<b>(83,926)</b>	(211,114)	(73,127)
<b>Deficit, beginning of period</b>	<b>(17,788,798)</b>	<b>(17,955,650)</b>	(17,470,826)	(17,608,813)
<b>Deficit, end of period</b>	<b>\$ (18,039,576)</b>	<b>\$ (18,039,576)</b>	\$ (17,681,940)	\$ (17,681,940)
<b>Loss per share - basic and diluted</b>	<b>\$ 0.10</b>		<b>\$ 0.09</b>	
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>2,397,216</b>		2,397,216	

# FM Resources Corp.

## Statement of Cash Flows

(unaudited - prepared internally by management)

(Expressed in Canadian dollars)

	Nine Month period ended September 30, <u>2004</u>	Three month period ended September 30, <u>2004</u>	Nine Month period ended September 30, <u>2003</u>	Three month period ended September 30, <u>2003</u>
Cash provided by (used in):				
Operating activities				
Loss for the period	\$ (250,778)	\$ (83,926)	\$ (211,114)	\$ (73,127)
Changes in non-cash working capital:				
Decrease (Increase) in pre-paid expenses	(301)	-	(295)	600
Decrease (Increase) in accounts receivable	(151)	1,067	62	459
Increase (Decrease) in accounts payable	229,300	71,798	189,083	54,960
Cash provided by (applied to) operating activities	(21,930)	(11,061)	(22,264)	(17,108)
Financing activities				
Loan Payable	22,000	-	25,000	20,000
Cash provided by financing activities	22,000	-	25,000	20,000
<b>Increase (decrease) in cash position</b>	<b>70</b>	<b>(11,061)</b>	<b>2,736</b>	<b>2,892</b>
<b>Cash &amp; cash equivalents, beginning of period</b>	<b>5,043</b>	<b>16,173</b>	<b>2,508</b>	<b>2,352</b>
<b>Cash &amp; cash equivalents, end of period</b>	<b>\$ 5,113</b>	<b>\$ 5,113</b>	<b>\$ 5,244</b>	<b>\$ 5,244</b>

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**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 September 30, 2004, the Company has a working capital deficiency of \$2,328,579 and a cumulative operating deficiency of \$18,039,576.

### **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.