

# **CHAPLEAU RESOURCES LTD.**

(An Exploration Stage Company)

## **Interim Consolidated Financial Statements**

For the three month period ended

February 15, 2005

Unaudited (prepared by management)

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## Notice from Management

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**To the Shareholders of  
Chapleau Resources Ltd.**

In accordance with National Instrument 52-102, Part 4, subsection 4.3(3) (a), we report that the accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditor.

**"Jim Stypula"**

Chief Executive Officer

**"Eric Wiltzen"**

President and Chief Financial Officer

Cranbrook, BC

April 15, 2005

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Balance Sheet – Interim  
(Unaudited – prepared by management)

As at February 15, 2005, with comparative figures as at November 15, 2004

	2005	2004
<b>Assets</b>		
<b>Current assets</b>		
Cash and term deposits	\$ 405,249	\$ 645,514
Receivables	25,901	20,768
BC mining exploration tax credits recoverable	222,818	222,818
Prepaid expenses and deposits	34,644	110,657
	<b>688,612</b>	<b>999,757</b>
<b>Reclamation bond</b>	<b>25,000</b>	25,000
<b>Investment</b> (Note 1)	<b>2,563,507</b>	2,559,448
<b>Mineral properties and deferred exploration costs</b> (Note 2)	<b>4,832,283</b>	4,540,581
<b>Equipment</b>	<b>8,033</b>	8,470
	<b>\$ 8,117,435</b>	<b>\$ 8,133,256</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 248,193	\$ 144,925
<b>Shareholders' equity</b>		
Capital stock (Note 3)	29,251,340	29,228,840
Contributed surplus	3,799,953	3,799,953
Deficit accumulated in the exploration stage	(25,182,051)	(25,040,462)
	<b>7,869,242</b>	<b>7,988,331</b>
	<b>\$ 8,117,435</b>	<b>\$ 8,133,256</b>

**Contingent liabilities** (Note 8)

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Statement of Operations and Deficit – Interim  
(Unaudited – prepared by management)

Three months ended February 15, 2005, with comparative figures for 2004

	2005	2004
<b>Administration expenses</b>		
Amortization	\$ 437	\$ 319
Insurance	2,183	10,163
Management fees (Note 7)	37,500	55,000
Office	10,397	18,707
Professional fees	75,168	33,071
Rent	3,973	5,928
Stock-based compensation	-	158,967
Transfer agent and filing fees	12,273	12,241
Travel	5,615	35,985
Wages and employee benefits	21,333	26,188
	<b>168,879</b>	<b>356,569</b>
<b>Exploration</b>		
Exploration (recovery) (Note 2)	(6,210)	4,685
Deferred exploration costs written off	-	82,469
	<b>(6,210)</b>	<b>87,154</b>
<b>Loss before other expenses (income)</b>	<b>162,669</b>	<b>443,723</b>
<b>Other expenses (income)</b>		
Interest income	(123)	(335)
Foreign exchange (gain) loss	(1,741)	12,919
Gain on disposal of equipment	-	(367)
Gain on sale of investments	(19,216)	(165,662)
	<b>(21,080)</b>	<b>(153,445)</b>
<b>Loss for the period</b>	<b>141,589</b>	<b>290,278</b>
<b>Deficit accumulated in the exploration stage,</b>		
beginning of the period, as previously stated	25,040,462	19,239,633
Stock-based compensation	-	2,339,336
BC mining exploration tax credits	-	(152,437)
beginning of the period, as restated		21,426,532
<b>Deficit accumulated in the exploration stage, end of period</b>	<b>\$ 25,182,051</b>	<b>\$ 21,716,810</b>
<b>Basic and diluted loss per share</b>	<b>\$ 0.002</b>	<b>\$ 0.004</b>
<b>Weighted average shares outstanding</b>	<b>70,635,204</b>	<b>66,708,890</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Statement of Cash Flows – Interim  
(Unaudited – prepared by management)

Three months ended February 15, 2005, with comparative figures for 2004

	2005	2004
<b>Cash provided by (used in)</b>		
<b>Operating</b>		
Loss for the period	\$ (141,589)	\$ (290,278)
Amortization which does not involve cash	437	319
Gain on sale of equipment	-	(367)
Gain on sale of investments	(19,216)	(165,662)
Stock-based compensation	-	158,967
Mineral properties and deferred exploration costs written off	-	82,469
Change in non-cash operating working capital		
Receivables	(5,133)	(7,988)
Prepaid expenses	76,013	(10,695)
Accounts payable and accrued liabilities	103,268	(73,909)
	<u>13,780</u>	<u>(307,144)</u>
<b>Financing</b>		
Capital stock issued	-	449,000
<b>Investing</b>		
Proceeds from sale of equipment	-	15,500
Proceeds from sale of investments	28,430	190,183
Purchase of investments	(13,273)	(353,257)
Mineral properties and deferred exploration costs	(269,202)	(49,406)
	<u>(254,045)</u>	<u>(196,980)</u>
<b>Decrease in cash</b>	<b>(240,265)</b>	<b>(55,124)</b>
<b>Cash and term deposits, beginning of period</b>	<b>645,514</b>	<b>269,123</b>
<b>Cash and term deposits, end of period</b>	<b>\$ 405,249</b>	<b>\$ 213,999</b>
<b>Supplementary Cash Flow Information</b>		
Non-cash investing and financing activities:		
Stock-based compensation	\$ -	\$ 158,967
Issuance of common shares for mineral property		
Payments	\$ 22,500	\$ -

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Summary of Significant Accounting Policies  
(Unaudited – prepared by management)

February 15, 2005

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## Significant accounting policies

### Interim financial statements

All figures as at and for the periods ended February 15, 2005 and 2004 are unaudited. The financial statements included herein, presented in accordance with generally accepted accounting principles in Canada for interim financial statements and stated in Canadian dollars, have been prepared by the Company, without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

The statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for the fair presentation of the information contained herein. These interim financial statements should be read in conjunction with the financial statements for the year ended November 15, 2004 and notes thereto included in the Company's Annual Report. The Company follows the same accounting principles in the preparation of interim reports.

Results of operations and mineral exploration activity for interim periods may not be indicative of annual results.

### Nature of business and ability to continue as a going concern

Chapleau Resources Ltd. is engaged in the mining industry at the exploration stage. At the exploration stage, a resource Company has not determined whether its properties contain reserves that are economically recoverable, nor has it achieved revenue from production. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

These financial statements are prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Company's continued existence is dependent upon raising additional financing, the discovery of economically recoverable ore reserves in its properties and the attainment of profitable operations. While the Company is expending its best efforts to achieve these plans, there is no assurance that any such activity will generate funds that will be sufficient for operations.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments would be required in the carrying value of assets.

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

## 1. Investment

	2005		2004	
	Cost	Market Value	Cost	Market Value
Far West Mining Ltd. (2005 – 5,286,200; 2004 – 5,295,200)	\$ 2,563,507	\$ 7,506,404	\$ 2,559,448	\$ 9,531,360

Market value is determined by multiplying the market price of the common shares owned on the balance sheet date by the number of shares held.

Far West Mining Ltd. is a public company listed on the TSX Venture exchange. The Company's investment represents an 11% ownership of Far West Mining Ltd.'s issued and outstanding common shares.

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

## 2. Mineral properties and deferred exploration costs

### Properties

	Balance November 15, 2004	Option payments during the period	Expenditures during the period	Written-off during the period	Balance February 15, 2005
Cruz, BC	\$ 547,396	\$ -	\$ 5,153	\$ -	\$ 552,549
Indian Ranch, NV	3,128,987	-	-	-	3,128,987
Zinger, BC	746,404	32,500	38,182	-	817,086
La Pampa Copper, Argentina	67,070	-	78,387	-	145,457
Hoarfrost, NWT		36,666	-	-	36,666
Horsefly, BC	89,014	-	122,544	-	211,558
San Javier, Bolivia	-	-	7,186	-	7,186
Madryn Rift, Argentina	-	-	5,633	-	5,633
San Lorenzo, Chile	7,191	-	2,117	-	9,308
	4,622,728	32,500	259,202	-	4,914,430
Less BC mining exploration tax credits claimed	(82,147)	-	-	-	(82,147)
	\$ 4,540,581	\$ 32,500	\$ 259,202	\$ -	\$ 4,832,283

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

## 2. Mineral properties and deferred exploration costs (continued)

### Properties (continued)

	Balance November 15, 2003	Option payment during the period	Expenditures during the period	Written-off during the period	Balance February 15, 2004
Cruz, BC	\$ 545,385	\$ -	\$ -	\$ -	\$ 545,385
Indian Ranch, NV	3,132,153	-	-	-	3,132,153
Quartz Creek, BC	47,028	-	-	47,028	-
Bar 19, BC	833,697	-	1,478	-	835,175
Zinger, BC	627,505	-	9,484	-	636,989
Super Group					
Gold, BC	638,125	-	35,387	-	673,512
Cranbrook					
Gold, BC	202,212	-	1,919	-	204,131
La Pampa Copper, Argentina	-	-	1,089	-	1,089
Hoarfrost, NWT		24,997	-	49	-
Other	35,441	-	-	35,441	-
	\$6,086,543	\$ -	\$ 49,406	\$ 82,469	\$ 6,053,480
Less BC mining exploration tax credits claimed					(337,921)
					\$ 5,715,559

25,046

### Option payments

On December 1, 2004 the Company paid \$32,500 in option payments. The payments consisted of one \$10,000 cash payment and the issuance of 50,000 shares valued at \$22,500.

### Exploration costs recovered

On December 8, 2004 the Company recognized a \$6,210 recovery of exploration costs related to geological and geochemical work performed on mineral claims that have not been pursued.

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

## 2. Mineral properties and deferred exploration costs (continued)

Detail of expenditures during the period ended February 15, 2005 with comparative figures for the year ended November 15, 2004:

Additions during the period	Horsefly, BC	Zinger, BC	La Pampa, Argentina	Other	2005	2004
Drilling	\$ -	\$ 36,361	\$ -	\$ -	\$ 36,361	\$ 40,931
Geochemical	1,482	-	-	-	1,482	26,858
Geology	165	1,540	13,051	8,539	23,295	135,090
Geophysics	120,897	-	-	-	120,897	19,897
Staking	-	-	-	350	350	76,795
Tenure payments	-	281	65,337	11,199	76,817	15,202
	\$122,544	\$ 38,182	\$ 78,388	\$ 20,088	\$ 259,202	\$ 314,773

Detail of expenditures during the period ended February 15, 2004 with comparative figures for the year ended November 15, 2003:

	Zinger, BC	Super Group Gold, BC	Other	2004	2003
Drilling	\$ 748	\$ 9,382	\$ 1,921	\$ 12,051	\$ 1,120,498
Geochemical	-	5,330	289	5,619	342,552
Geology	8,736	13,775	2,325	24,836	454,580
Geophysics	-	-	-	-	2,145
Staking	-	-	-	-	194,799
Trenching	-	-	-	-	251
Tenure payments	-	6,900	-	6,900	45,752
	\$ 9,484	\$ 35,387	\$ 4,535	\$ 49,406	\$ 2,160,577

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

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## 2. Mineral properties and deferred exploration costs (continued)

New Property Agreements entered into during the period ended February 15, 2005:

### San Javier, Bolivia

On January 11, 2005, the Company signed a letter of intent with Magellan Minerals Ltd. regarding an option to acquire an undivided 51% interest in the San Javier properties located in eastern Bolivia.

To exercise the option, the Company must:

- i) issue 250,000 shares on the commencement date;
- ii) issue 2,350,000 shares in the capital stock of Chapleau Resources Ltd. over a period of 4 years;
- iii) complete a minimum Firm Commitment of US\$200,000 in exploration expenditures, including a total of 1,000 metres of drilling, within 12 months from commencement date;
- iv) failure to complete both the Firm Commitment and the drilling requirement will terminate the letter of intent and the Company will repay Magellan Minerals Ltd. any unspent portion of the Firm Commitment exploration expenditures; and
- v) the Company must spend a minimum of US\$300,000 in Years 2, 3 and 4 of the agreement.

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

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## 2. Mineral properties and deferred exploration costs (continued)

New Property Agreements Entered Into During the Period ended February 15, 2005 (continued):

### Madryn Rift, Argentina

On January 15, 2005, the Company signed a memorandum of understanding with Teck Minera de Argentina S.A. whereby, through a subsidiary incorporated under the laws of Argentina, Chapleau Resources Ltd. will have an option to acquire a 100% undivided interest in Teck Cominco's Madryn properties located in Argentina.

To exercise the option, the Company must:

- i) upon regulatory approval, issue to Teck Cominco 200,000 Units comprising of one common share and one non-transferable share purchase warrant;
- ii) issue an additional 200,000 Units, as defined in i), in annual increments of 50,000, by December 31, 2008;
- iii) incur expenditures of at least US\$250,000 by December 31, 2005, including a commitment to complete a minimum of 2,000 metres of drilling;
- iv) if the first year work commitment fails, the Company will pay Teck Cominco an amount equivalent to US\$250,000 less expenditures actually incurred and if a minimum of 2,000 metres of drilling has not been completed, an additional amount estimated by Teck Cominco to be required to completed an aggregate of 2,000 metres of drilling; and
- v) complete cumulative expenditures of US\$1,500,000, in annual increments of US\$250,000 for the first two years and US\$500,000 for the following two years, on or before December 31, 2008;

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

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## 2. Mineral properties and deferred exploration costs (continued)

New Property Agreements Entered Into During the Period ended February 15, 2005 (continued):

### San Lorenzo, Chile

On January 21, 2005, the Company entered into an option agreement with Peregrine Diamonds Ltd. (Peregrine) to acquire a 50% interest in Peregrine's San Lorenzo Project.

To exercise the option, the Company must:

- i) complete a minimum of 500 metres of drilling on the property prior to December 31, 2005;
- ii) complete cumulative expenditures of US\$1,500,000 on or before the 48 month anniversary date of the signing of the definitive Option Agreement between Peregrine and the underlying owners; and
- iii) complete minimum expenditures of US\$100,000 in any given 12 month period from the anniversary date of the signing of the definitive Option Agreement between Peregrine and the underlying owners.

Where the Company has entered into option agreements to acquire interests in mineral properties that provide for periodic payments, amounts unpaid are not recorded as liabilities since they are payable entirely at the Company's option.

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

## 3. Capital stock

### Authorized

150,000,000 common shares without par value

### Issued and outstanding

	Number of Shares	Amount
Balance, November 15, 2003	66,327,951	\$ 27,738,165
Private placement – Net of issuance costs of \$67,325	4,210,949	1,481,675
Exercise of options	25,000	6,500
Issuance in exchange for properties	50,000	22,500
Return to treasury	(20,000)	(20,000)
Balance, November 15, 2004	70,593,900	29,228,840
Issuance in exchange for properties (a)	50,000	22,500
Balance, February 15, 2005	70,643,900	\$ 29,251,340

- (a) On December 1, 2004, the Company issued 50,000 shares in accordance with the requirements of the Zinger Property Agreement. The fair value of the shares issued was determined on the basis of the closing market price on that day of \$0.45 per share.

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

## 4. Stock options

A summary of the status of stock options issued in connection with the Company's fixed stock option plan as of February 15, 2005, and changes during the period/year ending on that date is presented below:

	Options	Weighted-Average Exercise Price
Outstanding and exercisable at beginning of period	14,153,898	\$ 0.49
Cancelled	2,100,000	0.79
Outstanding and exercisable at end of period	12,053,898	\$ 0.44

Incentive stock options for directors, officers and service providers outstanding and exercisable at February 15, 2005, are as follows:

Number of Options	Exercise Price	Expiry Date
717,500	\$ 0.30	May 2006
500,000	\$ 0.30	August 2006
200,000	\$ 0.40	September 2006
1,125,000	\$ 0.30	October 2006
390,000	\$ 0.50	May 2007
3,440,000	\$ 0.26	November 2007
100,000	\$ 0.52	December 2007
500,000	\$ 0.65	January 2008
750,000	\$ 1.00	February 2008
1,121,398	\$ 0.51	April 2009
200,000	\$ 0.82	May 2013
60,000	\$ 0.67	October 2013
1,250,000	\$ 0.67	January 2014
300,000	\$ 0.40	June 2014
1,000,000	\$ 0.40	July 2014
100,000	\$ 0.40	September 2014
300,000	\$ 0.44	October 2014
12,053,898		

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

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## 5. Share purchase warrants

A summary of the status of share purchase warrants outstanding and exercisable as of February 15, 2005 is presented below:

Warrants	Weighted-Average Exercise Price	
Outstanding and exercisable at beginning and end of period	9,999,877	\$ 0.60

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Number of Warrants Outstanding	Exercise Price	Expiry Date
717,500	\$ 1.45	April 2005
785,713	\$ 0.95	December 2005
3,496,664	\$ 0.50	November 2006
5,000,000	\$ 0.50	December 2007
9,999,877		

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# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

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## 6. Stock-based compensation plan

The Company has one stock-based compensation plan, which is described below;

### New Stock Option Plan

In accordance with the policies of the TSX Venture Exchange regarding stock option plans, the Board of Directors of the Company adopted a new stock option plan effective March 23, 2003. The Company, as a Tier 1 Company is able to grant options without vesting provisions and hold periods, provided that the grant is made at market price.

The purpose of the new plan is to allow the Company to grant options to directors, officers, employees and consultants, as additional compensation. Options will be exercisable over periods of up to ten years as determined by the board of directors and are required to have an exercise price no less than the discounted market price prevailing on the day that the option is granted.

The maximum number of common shares that may be issued pursuant to options granted is 13,413,447 or such additional amounts as may be approved by shareholders of the Company.

The new Plan provides that the number of common shares together with all of the Company's other previously established or proposed share compensation arrangements, may not exceed 20% of the total number of issued and outstanding common shares. In addition, the number of shares that may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis.

# CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Notes to Interim Financial Statements  
(Unaudited – prepared by management)

February 15, 2005

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## 7. Related party transactions

During the period ended February 15, 2005 and February 15, 2004, management fees of \$37,500 and \$45,000 respectively, were paid to two directors.

Such related party transactions are recorded at the exchange amount, being the amount established and agreed to by the related parties.

## 8. Contingent liabilities

- a) The Company has been named the defendant in a lawsuit and a claim has been filed in the amount of \$242,000. In the opinion of management, these matters are without substantial merit and no provision has been made for them in the accounts. However, should any loss result from the resolution of this claim, such loss would be recognized in the period the loss becomes likely.
- b) Certain expenditures required to have been incurred by the Company under the terms of a flow-through private placement subscription agreement completed in December 2003, were not expended. The affected parties are currently negotiating a resolution. Should any loss result from the resolution of this claim, such loss would be recognized in the period the loss becomes likely.
- c) A claim for damages has been filed against a former director of the Company. There are no allegations against the Company. The costs to the Company associated with this are only expected to be certain legal costs relating to the claim.

## 9. Subsequent events

- a) On February 28, 2005, the Company issued 250,000 common shares in accordance with the terms of the San Javier Option agreement.
- b) On March 7, 2005, the Company issued 200,000 Units as required under the terms of its memorandum of understanding with Teck Minera De Argentine S.A. Each Unit consists of one common share in the capital of the Company and one non-transferrable share purchase warrant exercisable for one year at \$0.34.

## 10. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.