

Klondex Mines Ltd.

Interim Consolidated Financial Statements

September 30, 2005

(Unaudited)

Klondex Mines Ltd.**Interim Consolidated Financial Statements**

September 30, 2005

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UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by
the Canadian Securities Administrators.

NOTICE TO READER

The interim balance sheet as at September 30, 2005 and the interim statements of loss and deficit, and the interim statements of cash flows for the nine month period then ended are the responsibility of the Company's management.

The interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian Generally Accepted Accounting Principles.

/s/ William J. Solloway

William J. Solloway, Director
Vancouver, BC Canada
November 25, 2005

/s/ Fred Baker

Fred Baker
Vancouver, BC Canada
November 25, 2005

Klondex Mines Ltd.**Interim Consolidated Balance Sheets**

	September 30, 2005	December 31, 2004
Assets		
Current		
Cash (note 7)	\$ 3,564,533	\$ 5,974,755
Marketable securities	25,438	572
Prepaid expenses	39,532	8,459
Accounts receivable	21,537	11,019
	3,651,040	5,994,805
Property and equipment (note 3)	36,076	5,730
Mineral properties and related deferred expenses (note 4)	4,490,966	2,902,241
Reclamation bonds (note 5)	101,620	49,400
	\$ 8,279,702	\$ 8,952,176
Liabilities		
Current		
Accounts payable and accruals	\$ 18,737	\$ 77,469
Due to directors	11,205	78,122
Asset retirement obligation (note 5)	45,116	45,116
	75,058	200,707
Shareholders' Equity		
Share capital (note 6)	13,531,926	13,520,824
Contributed surplus (note 6)	744,766	744,766
Deficit	(6,072,048)	(5,514,121)
	8,204,644	8,751,469
	\$ 8,279,702	\$ 8,952,176

,Approved by the Directors:

"William J. Solloway"

_____ Director

"Fred Baker"

_____ Director

Klondex Mines Ltd.**Interim Consolidated Statements of Loss and Deficit**

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Administrative Expenses				
Amortization	\$ 4,301	\$ 421	\$ 7,770	\$ 622
Consulting fees	28,829	10,064	80,829	12,464
Foreign exchange (gain)	16,948	31,098	41,434	38,352
Legal, audit and accounting	14,844	2,569	55,599	43,944
Management fees	25,108	3,919	77,052	11,902
Office and miscellaneous	20,502	5,319	60,424	38,191
Telephone	2,965	3,140	16,081	5,927
Transfer agent and regulatory fees	2,252	2,964	14,488	12,300
Travel, accommodation, meetings	63,466	15,633	207,789	28,265
Interest earned	(233)	(445)	(3,539)	(3,412)
	178,982	74,682	557,927	188,555
Loss for the period	(178,982)	(74,682)	(557,927)	(188,555)
Deficit, beginning of period	(5,893,066)	(5,120,331)	(5,514,121)	(4,767,583)
Adjustment to reflect change in accounting for employee, director and officer stock options	-	-	-	(238,875)
Deficit, end of period	\$ (6,072,048)	\$ (5,195,013)	\$ (6,072,048)	\$ (5,195,013)
Weighted average loss per share	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Weighted average number of shares outstanding			15,651,317	11,221,317

Klondex Mines Ltd.**Interim Consolidated Statements of Deferred Acquisition and Exploration Expenses**

Nevada Properties	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
<i>Fire Creek Property</i>				
Balance, beginning of period	\$ 3,929,342	\$ 1,569,373	\$ 2,902,241	\$ 758,470
Assays	13,956	-	130,401	-
Consulting	62,251	41,096	183,373	132,477
Drilling	178,715	120,411	789,005	819,965
Field supplies and equipment	22,039	-	22,039	-
Land acquisition	97,677	-	216,707	-
Lease payments, taxes and royalties	98,566	130,329	104,620	130,329
Legal	9,771	-	9,771	-
Mapping and sampling	-	1,297	(454)	3,194
Miscellaneous	(13,118)	14,018	41,496	23,200
Site visits	34,344	-	34,344	-
Surveying	-	397	-	9,286
	504,201	307,548	1,531,302	1,118,451
<i>Reef Property</i>				
Assays	463	-	463	-
Consulting	7,555	-	7,555	-
Drilling	42,268	-	42,268	-
Miscellaneous	4,841	-	4,841	-
Site visits	2,296	-	2,296	-
	57,423	-	57,423	-
Balance, end of period	\$ 4,490,966	\$ 1,876,921	\$ 4,490,966	\$ 1,876,921

Klondex Mines Ltd.**Interim Consolidated Statements of Cash Flows**

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Cash provided by (used in)				
Operating activities				
Loss for the period	\$ (178,982)	\$ (74,682)	\$ (557,927)	\$ (188,555)
Items not involving cash				
Amortization	4,301	421	7,770	622
Foreign exchange - unrealized	28	31	16	13
	(174,653)	(74,230)	(550,141)	(187,920)
Change in non-cash working capital				
Accounts receivable	(5,016)	(1,457)	(10,518)	103
Prepaid expenses	(8,762)	73	(31,073)	(3,288)
Accounts payable	(18,541)	(3,217)	(58,732)	(3,129)
	(206,972)	(78,831)	(650,464)	(194,234)
Financing activities				
Due to related party	17,881	5,539	(66,917)	(109,548)
Increase in share capital	11,102	-	11,102	-
	28,983	5,539	(55,815)	(109,548)
Investing activities				
Reclamation bond posted	-	(43,376)	(52,220)	(65,698)
Marketable securities	(24,882)	-	(24,882)	-
Deferred exploration and development expenses	(561,624)	(307,548)	(1,588,725)	(1,118,451)
Purchase of property & equipment	(2,409)	(1,387)	(38,116)	(1,387)
	(588,915)	(352,311)	(1,703,943)	(1,185,536)
Net decrease in cash	(766,904)	(425,603)	(2,410,222)	(1,489,318)
Cash, beginning of period	4,331,437	606,535	5,974,755	1,670,250
Cash, end of period	\$ 3,564,533	\$ 180,932	\$ 3,564,533	\$ 180,932

September 30, 2005

1. Nature of Operations

The Company is in the business of owning, acquiring, exploiting, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The company has interests in properties located in the State of Nevada, USA.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the company is expending its best efforts in this regard, the outcome of these matters can not be predicted at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the company be unable to continue in business.

The recoverability of amounts shown as mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or disposition thereof.

2. Significant Accounting Principles**a) Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Klondex Gold and Silver Mining Co. ("Klondex Gold"), a Nevada State, U.S.A. corporation (formerly a Washington State, U.S.A. corporation).

b) Cash and cash equivalents

For purposes of reporting cash flows, the company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less. The company places its cash and cash investments with institutions of high-credit worthiness.

c) Equipment

Equipment is amortized using the declining-balance method at a rate of 20% per annum for furniture and fixtures and telephone equipment and 30% per annum for computer equipment.

d) Foreign currency translation

Monetary assets and liabilities are translated at year-end exchange rates; other assets and liabilities have been translated at the rates prevailing at the date of transaction. Revenue and expense items, except for amortization, are translated at the average rate of exchange for the year. Amortization is converted using rates prevailing at dates of acquisition. Gains and losses from foreign currency translation are included in the consolidated statements of loss.

September 30, 2005

2. Significant Accounting Principles (continued)**e) Mineral properties and deferred exploration costs**

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. If put into production, the costs of acquisition and exploration will be amortized over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will first be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs will be written-off to operations.

Recorded costs of mineral properties and deferred exploration and development expenditures are not intended to reflect present or future values of resource properties.

Although the company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

f) Asset retirement obligations

The Company has adopted the CICA's new Handbook Section 3110 "asset retirement obligations" which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standards apply to legal obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standards require that a liability for an asset retirement obligation be recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated nominal future value.

g) Loss per share

The Company uses the treasury stock method of calculating fully diluted per share amounts whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options has an anti-dilutive impact in 2005 and 2004.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

h) Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

September 30, 2005

2. Significant Accounting Principles (continued)**i) Share capital**

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the company.
- ii) Commissions paid to underwriters, and other related share issue costs, such as legal, auditing, and printing, on the issue of the company's shares are charged directly to share capital.

j) Income taxes

Income taxes are accounted for using the future income tax method. Under this method income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are likely to be realized. Future income tax assets and liabilities are measured using tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled.

k) Stock-based compensation

Effective January 1, 2004, the Company adopted, on a retroactive basis, the revised recommendations of Section 3870 with respect to the recognition, measurement, and disclosure of stock-based compensation and other stock based payments. Under this policy the Company values all stock-based compensation granted using the fair value method, as determined using the Black-Scholes option valuation model.

l) 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 liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those reported.

3. Property and Equipment

	30-September – 05			31 – Dec – 04	
	Cost	Accumulated amortization	Net book value	Net book value	
Computer equipment	\$ 10,884	\$ 4,440	\$ 6,444	\$	4,540
Telephone equipment	1,376	576	800		947
Furniture and fixtures	36,380	7,548	28,832		243
	\$ 48,640	\$ 12,564	\$ 36,076	\$	5,730

September 30, 2005

4. Mineral Property and Related Deferred Exploration and Development Expenses**a) Fire Creek Gold Properties, Lander County, Nevada, U.S.A.**

The Company has a 100% ownership interest in this land block which was expanded during fiscal 2003 by 2,720 acres to a total of 4,875 acres. During the fiscal year 2004, the Company acquired 4 additional blocks of land (80 acres) in the area for Cdn\$69,567 (US\$52,983). These acquisitions were necessary to ensure logistical access to the main mineralized zones and to acquire areas which represent the strike extensions of these zones.

During the first quarter ended March 31, 2005, the Company acquired 5 additional blocks of land, which totaled 130 acres for Cdn\$65,686 (US\$53,594). In the second quarter ended June 30, 2005, an additional 100 acres were acquired for Cdn\$53,344 (US\$43,415). These acquisitions bring the total acreage to 5,185 acres.

b) Maggie Creek, Elko County, Nevada

The Company has a 66.66% undivided interest in 48 claims (1920 acres) situated in sections 8, 16 and 20 in the Maggie Creek area.

c) Corral Canyon, Lander County, Nevada

The Company has a 100% ownership interest in 58 claims (2,520 acres) in Corral Canyon, Lander County, Nevada.

d) Woodtick claims, Lander County, Nevada

The Company has a 100% ownership interest in these 26 claims (1,080 acres). They lie directly north-east of Fire Creek along the Mule Canyon-Fire Creek-Buckhorn volcanic trend. These claims provide access to the northern Fire Creek block from the powerline road.

e) Hot Point Springs, Lander County, Nevada

The Company has a 100% ownership interest in 39 claims (1,680 acres) situated about 6 miles east of the town of Crescent Valley. They are in a basalt-andersite setting.

f) Reef claims, Churchill county, Nevada

The Company has a 100% ownership interest in 8 claims (160 acres) in the Fairchild district of Churchill County. Anomalous gold and silver have been detected along a siliceous reef which runs approximately a half mile in length.

On June 15, 2005, the Company announced that drilling will begin in the Reef gold prospect. The planned program includes a minimum 1500 feet of reverse-circulation drilling budgeted for US\$50,000. On August 11, 2005, the Company received the results from the drill program – 320 meters (1,050 feet) of reverse circulation drilling in six holes tested. Based on the results of the highest gold value, no future work is planned for the property at this time.

Klondex Mines Ltd.**Notes to the Interim Consolidated Financial Statements**

September 30, 2005

5. Asset Retirement Obligation

Included in the carrying value of the mineral properties is \$45,116 representing the fair value of a liability for asset retirement obligations that arose as a result of drilling activities during fiscal 2004 on the Fire Creek properties. The fair value of the liability \$45,116 was determined to be equal to the estimated drill well site remediation costs as it is assumed that remediation would commence within six months of year end.

As at June 30, 2005 the company had posted non-interest bearing bonds of \$101,620 (US\$83,503) with the Bureau of Land Management in the State of Nevada as security for these obligations. This amount is broken down as follows:

- a) Fire Creek Property – \$84,885 (US\$70,000)
- b) Reef Property - \$7,636 (US\$6,000)
- c) Available for other projects - \$9,099 (US\$7,503)

6. Share Capital

- a) **Authorized:** 20,000,000 common shares with no par value

- b) **Issued**

	Shares	Amount	Contributed Surplus
Balance, December 31, 2003	11,221,317	\$ 6,870,847	\$ 461,375
Issued for cash			
Private placement	3,290,000	6,251,000	-
Exercise of options	50,000	32,500	-
Exercise of warrants	1,090,000	1,086,500	(19,000)
Share issue costs			
Commission	-	(437,570)	-
Broker warrants	-	(223,391)	223,391
Legal and other fees	-	(59,062)	-
Stock based compensation	-	-	79,000
Balance, December 31, 2004	15,651,317	13,520,824	744,766
Share issue costs			
Refund of 2004 legal fees	-	11,102	-
Balance, September 30, 2005	15,651,317	\$ 13,531,926	\$ 744,766

- c) **Options outstanding**

A summary of the Company's outstanding stock options as of September 30, 2005 and the changes during the period then ended is presented below:

	Number of options	Exercise price
Outstanding and exercisable at December 31, 2003	884,750	\$ 0.65
Options granted	150,000	0.65
Options exercised	(50,000)	0.65
Outstanding and exercisable at December 31, 2004	984,750	0.65
Outstanding and exercisable at September 30, 2005	984,750	\$ 0.65

Klondex Mines Ltd.**Notes to the Interim Consolidated Financial Statements**

September 30, 2005

6. Share Capital (continued)**c) Options outstanding (cont'd)**

At September 30, 2005, there were 984,750 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of Shares	Exercise Price	Expiry Date
834,750	\$0.65	November 29, 2008
150,000	\$0.65	June 29, 2009
984,750		

d) Warrants outstanding

A summary of the Company's outstanding share purchase warrants at September 30, 2005 and the changes during the period then ended is presented below:

	# of warrants	Exercise price
Outstanding and exercisable at December 31, 2003	2,600,000	\$ 0.50 – 1.25
Warrants exercised	(1,090,000)	0.50 – 0.60
Warrants granted	230,300	0.65 – 1.25
Warrants granted	1,645,000	
Outstanding and exercisable, December 31, 2004	3,385,300	\$ 0.60 – 2.35
Warrants expired	(10,000)	\$ 1.25
Outstanding and exercisable, September 30, 2005	3,375,300	\$ 0.60 – 2.35

At September 30, 2005, there were 3,375,300 outstanding share purchase warrants entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of Shares	Exercise Price	Expiry Date
1,500,000	\$0.60	October 10, 2005 (note 10)
230,300	\$1.90	May 26, 2006
1,645,000	\$2.35	May 26, 2006
3,375,300		

Klondex Mines Ltd.

Notes to the Interim Consolidated Financial Statements

September 30, 2005

7. Financial Instruments

a) Credit risk

At September 30, 2005 the Company held cash of \$3,343,126 (December 31, 2004 - \$4,739,000) in an account with a Canadian brokerage firm. This amount is in excess of the \$1,000,000 insurance coverage provided by the Canadian Investor Protection Fund.

b) Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At September 30, 2005 the company had the following financial assets and liabilities:

	US Dollars
Cash	\$ 186,279
Marketable securities	\$ 475
Reclamation bonds	\$ 83,503
Accounts payable	\$ 12,740
Due to Directors	\$ 9,566
Asset retirement obligation	\$ 37,487

At September 30, 2005 US dollar amounts were converted at a rate of \$1.1713 Canadian dollars to \$1.00 US dollar.

8. Related Party Transactions

The following transactions with related parties have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

- a) During the period, the Company paid and or accrued management fees of \$55,037 (2004 - \$nil) to the President.
- b) During the period, the Company incurred management fees of \$22,015 (2004 - \$11,902) and rent of \$5,491 (2004 - \$5,515) to an officer.
- c) During the period, the Company paid consulting fees of \$27,000 (2004 - \$3,600) to a company controlled by a director.
- d) During the period, the Company paid mineral property services (deferred consulting fees) of \$55,500 (2004 - \$9,950) to a company controlled by a director.
- e) During the period, the Company paid corporate and admin fees of \$35,000 (2004 - \$Nil) to a company controlled by an officer.
- f) Amount due to a director of \$11,205 (2004 - \$Nil) is non-interest bearing, unsecured, and payable upon demand. Fair value is equal to face value as the amount is payable on demand.

Klondex Mines Ltd.**Notes to the Interim Consolidated Financial Statements**

September 30, 2005

9. Segmented Information

September 30, 2005	Canada	United States	Total
Revenue	\$ -	\$ -	\$ -
Expenses	290,962	266,965	557,927
Loss for the period	\$ (290,962)	\$ (266,965)	\$ (557,927)
Identifiable assets	\$ 3,560,934	\$ 4,718,768	\$ 8,279,702

10. Subsequent Events

Subsequent to September 30, 2005, 1,500,000 share purchase warrants with exercise price of \$0.60 per warrant, were exercised for total proceeds of \$900,000.

KLONDEX MINES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the third quarter ended September 30, 2005

Directors and Officers as at November 25, 2005:

Directors:

William J. Solloway
Fred Baker
Robert Sibthorpe
John Pollock

Officers:

President – William J. Solloway
Executive Vice-President – Robert Eadie
Secretary – Fred Baker
Treasurer – Brendan Donohoe

Contact Name:

Fred Baker
Telephone: (604) 602-4935
Fax: (604) 602-4936

TSX Venture Exchange Symbol:

KDX

KLONDEX MINES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the Third Quarter Ended September 30, 2005

1.1 Date of This Report

November 25, 2005

1.2 Overall Performance

Description of Business

Klondex Mines Ltd. (the “Company”) is a publicly listed company that trades on the TSX Venture Exchange (the “Exchange”) under the symbol “KDX”. The Company is in the business of owning, acquiring, exploiting, exploring and evaluating mineral properties, and either venturing or developing these properties or disposing of them when evaluation is completed.

1.3 Selected Annual Information

The highlights of financial data for the Company for the three most recently completed financial years are as follows:

	December 31, <u>2004</u>	December 31, <u>2003</u>	December 31, <u>2002</u>
(a) Total revenue	Nil	Nil	Nil
(b) Loss before extraordinary items			
(i) Total loss	\$507,663	\$611,870	\$99,666
(ii) Loss per share - basic	\$0.04	\$0.08	\$0.02
(iii) Loss per share - diluted	\$0.04	\$0.08	\$0.02
(c) Net loss			
(i) Total loss	\$507,663	\$611,870	\$99,666
(ii) Loss per share - basic	\$0.04	\$0.08	\$0.02
(iii) Loss per share - diluted	\$0.04	\$0.08	\$0.02
(d) Total assets	\$8,952,176	\$2,439,470	\$640,838
(e) Total long-term liabilities	-	-	-
(f) Cash dividends declared per-share	N/A	N/A	N/A

1.4 Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the financial statements of the Company and notes attached hereto.

Nevada Mineral Properties

Fire Creek Gold Properties, Lander County, Nevada

The Company has a 100% ownership interest in this land block which was expanded during fiscal 2003 by 2,720 acres to a total of 4,875 acres. During the fiscal year 2004, the Company acquired 4 additional blocks of land (80 acres) in the area for Cdn\$69,567 (US\$52,983). These acquisitions were necessary to ensure logistical access to the main mineralized zones and to acquire areas which represent the strike extensions of these zones.

During the first quarter ended March 31, 2005, the Company acquired 5 additional blocks of land, which totaled 130 acres for Cdn\$65,686 (US\$53,594). In the second quarter ended June 30, 2005, an additional 100 acres were acquired for Cdn\$53,344 (US\$43,415). These acquisitions bring the total acreage to 5,185 acres.

Acquisition and Exploration expenditures:

	Dec.31 2004	Additions during the period	September 30, 2005
<i>Balance, beginning of period</i>	\$ 762,034	\$ -	\$ 762,034
<u>Fire Creek</u>			
Acquisition of land	69,567	216,707	286,274
Assays & core costs	140,028	130,401	270,429
Consulting	211,690	183,373	395,063
Drilling	1,468,304	789,005	2,257,309
Field supplies and equipment	-	22,039	22,039
Lease payments, taxes and royalties	24,018	104,620	128,638
Legal	-	9,771	9,771
Maintenance	92,658	-	92,658
Mapping and sampling	3,434	(454)	2,980
Miscellaneous	76,614	41,496	118,109
Surveying	8,779	-	8,779
Site reclamation	45,116	-	45,116
Site visits	-	34,344	34,344
	2,140,207	1,534,630	3,671,509

	Dec.31 2004	Additions during the period	September 30, 2005
<u>Reef Property</u>			
Assays	-	463	463
Consulting	-	5,564	7,555
Drilling	-	42,268	42,268
Miscellaneous	-	4,841	4,841
Site visits	-	959	2,296
	-	54,095	57,423
<i>Balance, end of period</i>	\$ 2,902,241	\$ 1,588,725	\$ 4,490,966

Exploration Results and Future Plans & Developments

On January 18, 2005, the Company announced the start up of Phase 3 drilling program at its 100% owned Fire Creek Property, located on the Northern Nevada Rift in the Battle Mountain-Eureka Trend in Nevada. On April 11, 2005, the Company announced the assay results from this nine hole drill program. Total amount of drilling in Phase 3 was 10,873 feet (3,315 meters) comprised of 2,940 feet (896 meters) of reverse circulation drilling to pre-collar the holes and 7,933 feet (2,419 meters) of NQ core drilling through the target zones. Significant intercepts were returned from 7 of the 9 holes, a hit-to-miss ratio in line with previous drilling at Fire Creek and above average for high grade, narrow vein deposits in Northern Nevada.

Phase 3 drilling was restricted to holes located on previously permitted sites while a new permit was acquired for road and drill pad construction for new sites. Phase 3 holes were targeted to test the updip and/or downdip continuity of gold intercepts encountered in previous drilling. Generally, intervals from Phase 3 were lower grade but longer widths than their Phase 1 and 2 equivalents on their respective sections, although the program continued to provide both narrow high grade and lower grade bulk tonnage gold-bearing intervals.

Phase 3 drilling also provided sufficient information for the development of a geological model for the interpretation of vein orientation and the identification of favourable lithologies. The two principal vein sets (Main and West) in the Central Area appear to dip steeply toward each other, mirroring the graben structures typical of the Northern Nevada Rift. Brittle basalts and dykes appear to form more receptive host rocks for gold deposition than the underlying tuffs. The presence of a favourable zone for high grade gold values at Fire Creek between 5000 and 5500 feet above sea level was also indicated.

On May 18, 2005, the Company announced the completion of an "Indicated Resource" as defined by NI 43-101 of 556,342 short tons grading 0.720 oz/ton of gold (500,708 tonnes grading 24.83 g/t) for 400,529 ounces, and a lower grade Indicated Resource of 1,222,854 short tons grading 0.149 oz/ton (1,100,567 tonnes grading 5.10 g/t) for an additional 182,552 ounces.

On August 11, 2005, the Company announced that Phase 4 drilling was in progress at the Fire Creek gold Property located in the Battle Mountain – Eureka Trend in northern Nevada. Three holes totaling 1,375 meters in length were completed from established drill pads. Drill holes FC05-10 and FC05-11 tested for Main and West Vein mineralization in the Far North area, and FC05-12 was drilled to a depth of 760 meters to test for favourable stratigraphy and extensions of the Main Vein. On September 13, 2005 the Company announced that it had received a Plan of Operations permit allowing the Company to plan an additional 25 to 30 holes to be drilled from the newly permitted sites for an estimated 12,200 meters. The primary objective of the Phase 4 program is resource expansion rather than in-fill drilling.

On October 21, the Company announced the assay results of the first five holes from the Phase 4 drill program. Indications of the Main and West vein systems were noted in the drill holes in the Far North area and high grade intercepts were returned from drill holes which penetrated the favourable zone.

The Company is currently in the process of completing its phase 4 program at Fire Creek, expected now to be completed in early 2006. Once the results have been received the Company will produce another resource estimate and generate a Phase 5 activity plan.

Technical data from previous drill campaigns at Fire Creek is being reviewed under Confidentiality Agreements by several senior mining companies, one of which has conducted metallurgical testing on Fire Creek drill core.

Swales Mountain, Elko County, Nevada

The Company has a 100% ownership interest in 14 claims (280 acres) approximately 13 miles east of Newmont Mining Corporation's Carlin Mine and about 8 miles northeast of its Gold Quarry Mine. This interest was dropped during the year ended December 31, 2003 and the Company has no further obligation.

Maggie Creek, Elko County, Nevada

The Company has a 66.66% undivided interest in 48 claims (1920 acres) situated in sections 8, 16 and 20 in the Maggie Creek area.

Corral Canyon, Lander County, Nevada

The Company has a 100% ownership interest in 58 claims (2,520 acres) in Corral Canyon, Lander County, Nevada.

Woodtick claims, Lander County, Nevada

The Company has a 100% ownership interest in these 26 claims (1,080 acres). They lie directly north-east of Fire Creek along the Mule Canyon-Fire Creek-Buckhorn volcanic trend. These claims provide access to the northern Fire Creek block from the powerline road.

Hot Point Springs, Lander County, Nevada

The Company has a 100% ownership interest in 39 claims (1,680 acres) situated about 6 miles east of the town of Crescent Valley. They are in a basalt-andersite setting.

Reef claims, Churchill county, Nevada

The Company has a 100% ownership interest in 8 claims (160 acres) in the Fairchild district of Churchill County. Anomalous gold and silver were previously detected along a siliceous reef which runs approximately a half mile in length.

On June 15, 2005, the Company announced that drilling will begin in the Reef gold prospect. The planned program included a minimum of 1500 feet of reverse-circulation drilling budgeted for US\$50,000. On August 11, 2005, the Company announced that it had received the results from this drill program 320 meters (1,050 feet) of reverse circulation drilling in six holes tested for possible down drip extensions of gold mineralization present in veins at surface. Alteration zones from 1.5 meters to 4.5 meters in width associated with the fault-vein zones were encountered but the highest gold value was 1.34 g/t over a 1.5 meter interval. No future work is planned for the property at this time.

Discussion of Operations and Financial Condition

Results of Operations

The loss for the nine months ended September 30, 2005 was \$557,927 as compared with a loss of \$188,555 for the nine months ended September 30, 2004.

During the nine month period, the Company's exploration activities increased. The Company was also very active in participating in conferences and exhibits. In the latter part of March 2005, two Company representatives also traveled to London, Paris, and Zurich to introduce potential investors to the Company. As a result of increased activities, the Company incurred additional management and consulting fees and travel and promotion costs. In addition, the Company moved into their new premises during the period. The major increases in the expenses for the nine months were:

- Consulting fees increased by \$68,365;
- Management fees increased by \$65,150;
- Office and miscellaneous expenses increased by \$22,233;
- Telephone increased by \$10,154;
- Transfer agent & regulatory fees increased by \$2,188;
- Travel and promotion increased by \$179,524.

A breakdown of the "Travel and Promotion" expense is as follows:

Communication & Information	\$	19,481
Conferences, Shows, & Website		35,118
Meals & Entertainment		14,761
Press Releases & Printing		6,910
Travel, Advertising & Promotion		
- Canada & U.S.A.		94,423
- Europe		37,096
Total	\$	207,789

A breakdown of the “Consulting Fees” expense is as follows:

Corporate & administration fees	\$	35,000
Marketing fees (paid to a director)		27,000
Shareholders communication		17,750
Geological		1,079
Total	\$	80,829

In addition to the above increases in expenses, the Company reported a foreign exchange loss of \$41,434 (September 2004 - \$38,352). This foreign exchange loss is a result of the company holding monetary assets in US dollars, such as cash and bonds, which have been translated to Canadian dollars.

Investor Relations Activities

The Company currently has no formal arrangements with respect to investor relations. During the period, the Company responded to investor inquiries and conducted shareholder and investor mailouts. The responsibility for responding directly to all investor inquiries and for conducting shareholder and investor mailouts is handled by a director in Canada and by the President and the Treasurer in the U.S.A..

Financings, Principal Purposes & Milestones

The Company was not involved in any financing during the nine month period.

1.5 Summary of Quarterly Results

The following is a summary of the Company’s financial results for the eight most recently completed quarters:

	Q3 Sep-05	Q2 Jun-05	Q1 Mar-05	Q4 Dec-04	Q3 Sep-04	Q2 Jun-04	Q1 Mar-04	Q4 Dec-03
Total loss	(178,982)	(173,697)	(205,248)	(319,108)	(74,682)	(60,465)	(53,408)	(528,591)
Per share	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.04)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.07)
Per share -diluted	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.04)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.07)

Discussion

For a detailed discussion on the third quarter-ended September 30, 2005, please refer to Section 1.4 - Results of Operations.

The loss for the year ended December 31, 2004 was \$507,663 as compared with a loss of \$611,870 for the year ended December 31, 2003. \$238,875 stock-based compensation has been retroactively charged to the operating loss of the year ended December 31, 2003 and financial statements were restated accordingly.

1.6 Liquidity

The Company has no revenue generating projects at this time. The Company's historical capital needs have been met by equity subscriptions. As at September 30, 2005, the Company's working capital was \$3,575,982 (compared to \$5,794,098 at December 31, 2004). The ability of the Company to successfully acquire and develop properties in the resource sector is conditional on its ability to secure financing when required. The Company proposes to meet any additional financing requirements through the exercise of outstanding stock options and warrants, or arranging other equity financing, and/or finalizing a joint venture agreement with a partner(s) who will be able to assume the costs of recommended exploration programs. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions or finding a joint venture partner will be possible at the times required or desired by the Company.

1.7 Capital Resources

The only capital resource of the Company is its mineral properties with a historical cost of \$4,490,966. The Company is committed to further expenditures on the properties, as detailed in Section 1.4 Results of Operations.

1.8 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.9 Transactions with Related Parties

Note 8 to the Financial Statements attached hereto, provides disclosure on related party transactions for the nine months ended September 30, 2005, with breakdown as follows:

Expense	30-Sept-05	30-Sept-04
Management fees	\$ 77,052	\$ 11,902
Consulting fees	27,000	3,600
Corporate & admin fees	35,000	-
Rent	5,491	5,515
Deferred consulting fees	55,500	9,950
Total for the period	\$ 200,043	\$ 30,967

Amount due to a director of \$11,205 (2004 - \$Nil) is non-interest bearing, unsecured, and payable upon demand. Fair value is equal to face value as the amount is payable on demand.

1.10 Third Quarter – 2005

The third quarter results do not differ significantly from other quarters with the exception of the increase in the exploration expenditures and the general & administrative expenses related directly to such expenditures.

1.11 Proposed Transactions

None.

1.12 Critical Accounting Estimates

N/A

1.13 Changes in Accounting Policies

Effective January 1, 2004, the Company adopted, on a retroactive basis, the recommendations of the CICA with respect to the recognition, measurement, and disclosure of stock-based compensation and other stock based payments. No stock-based compensation expense was recorded during the period.

The Company also adopted the CICA's new Handbook Section 3110 "asset retirement obligations" which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. This had no retroactive effect. Please refer to Note 2f of the Financial Statements.

1.14 Financial and Other Instruments

The carrying value of cash and cash equivalents and accounts payable approximate their fair values due to the short maturity of those instruments.

1.15 Other

Disclosure of Outstanding Share Capital (September 30, 2005)

	Number	Book Value
Common Shares	15,651,317	\$13,531,926

Shares issued during the quarter: (September 30, 2005)

	Number	Net proceeds
Common Shares	Nil	\$Nil

Summary of incentive stock options: (September 30, 2005)

Number of Shares	Expiry Date	Exercise Price Per Share
834,750	November 29, 2008	\$0.65
150,000	June 29, 2009	\$0.65
984,750		

Summary of warrants outstanding: (September 30, 2005)

<u>Number of Shares</u>	<u>Expiry Date</u>	<u>Exercise Price</u>
1,500,000	October 10, 2005	\$0.60
230,300	June 19, 2006	\$1.90
1,645,000	May 26, 2006	\$2.35
<u>3,375,300</u>		

Additional information

Additional information relating to the company is on SEDAR at www.sedar.com.