
DENTONIA RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED
NOVEMBER 30, 2004 AND 2003
(Unaudited - see Notice to Reader)





MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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NOTICE TO READER

We have compiled the balance sheet of Dentonia Resources Ltd. as at November 30, 2004 and the statements of operations and deficit, and cash flows for the periods then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Manning Elliott

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
January 20, 2005

DENTONIA RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS

(Unaudited - see Notice to Reader)

| | As at November 30, 2004 \$ | As at August 31, 2004 \$ |
|--|-------------------------------------|-----------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | 226,325 | 224,566 |
| Accounts receivable | 1,329 | 761 |
| Prepaid expenses | <u>1,467</u> | <u>2,117</u> |
| | 229,121 | 227,444 |
| CAPITAL ASSETS (Note 5) | 2,584 | 2,736 |
| MINERAL PROPERTIES (Note 4) | <u>107,651</u> | <u>74,995</u> |
| | <u>339,356</u> | <u>305,175</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | <u>7,492</u> | <u>6,748</u> |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK (Note 6) | 7,870,970 | 7,770,170 |
| CONTRIBUTED SURPLUS (Note 6) | 30,075 | 28,200 |
| DEFICIT | <u>(7,569,181)</u> | <u>(7,499,943)</u> |
| | <u>331,864</u> | <u>298,427</u> |
| | <u>339,356</u> | <u>305,175</u> |

APPROVED BY THE BOARD

"Adolf A. Petancic" Director

"H. Martyn Fowlds" Director



DENTONIA RESOURCES LTD.**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT****FOR THE PERIODS ENDED NOVEMBER 30, 2004 AND 2003**(Unaudited - see Notice to Reader)

| | 2004 | 2003 |
|--------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| GENERAL EXPENSES | | |
| Accounting and legal | 1,682 | - |
| Amortization | 152 | 198 |
| Bank charges and interest | 89 | 138 |
| Consulting fees | 7,000 | - |
| Office and miscellaneous | 7,633 | 1,357 |
| Rent | 4,018 | 1,712 |
| Shareholder relations | 10,020 | 5,218 |
| Stock based compensation | 1,875 | - |
| Telephone and communications | 726 | 486 |
| Transfer agent and filing fees | 3,406 | 2,300 |
| Wages and benefits | <u>28,029</u> | <u>20,901</u> |
| | 64,630 | 32,310 |
| OTHER INCOME (EXPENSES) | | |
| Expense recoveries | 392 | 167 |
| Equity investment losses | <u>(5,000)</u> | <u>-</u> |
| | <u>(4,608)</u> | <u>167</u> |
| NET LOSS FOR THE PERIOD | (69,238) | (32,143) |
| DEFICIT - BEGINNING OF PERIOD | <u>(7,499,943)</u> | <u>(7,343,636)</u> |
| DEFICIT - END OF PERIOD | <u>(7,569,181)</u> | <u>(7,375,779)</u> |
| BASIC LOSS PER SHARE | <u>(0.01)</u> | <u>(0.01)</u> |



DENTONIA RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED NOVEMBER 30, 2004 AND 2003
(Unaudited - see Notice to Reader)

| | 2004 \$ | 2003 \$ |
|--|-----------------|-----------------|
| CASH FROM (USED IN): | | |
| OPERATING ACTIVITIES | | |
| Net loss for the period | (69,238) | (32,143) |
| Items not involving cash | | |
| Amortization | 152 | 198 |
| Equity investment losses | 5,000 | - |
| Stock-based compensation | <u>1,875</u> | <u>-</u> |
| | (62,211) | (31,945) |
| Change in non-cash working capital items | <u>826</u> | <u>3,345</u> |
| | <u>(61,385)</u> | <u>(28,600)</u> |
| FINANCING ACTIVITIES | | |
| Capital stock issued | <u>100,800</u> | <u>25,000</u> |
| INVESTING ACTIVITIES | | |
| Expenditures on mineral properties | (32,656) | (18,442) |
| Increase in investments and advances | <u>(5,000)</u> | <u>-</u> |
| | <u>(37,656)</u> | <u>(18,442)</u> |
| INCREASE (DECREASE) IN CASH | 1,759 | (22,042) |
| CASH - BEGINNING OF PERIOD | <u>224,566</u> | <u>31,052</u> |
| CASH - END OF PERIOD | <u>226,325</u> | <u>9,010</u> |



DENTONIA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED NOVEMBER 30, 2004 AND 2003

(Unaudited - see Notice to Reader)

1. NATURE OF OPERATIONS

The Company is in the business of acquiring and exploring mineral properties. There has been no determination whether properties held contain mineral reserves which are economically recoverable.

The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on the assumption that the Company is a going concern. The ability of the Company to continue as a going concern is dependent on its ability to obtain necessary financing to discharge its liabilities as they become due, and upon attaining future profitable operations.

Because a precise determination of certain assets and liabilities is dependent on future events, the preparation of the financial statements involves the use of estimates based on careful judgement and actual results may differ from such estimates.

These financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

a) Presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Northernera Diamonds Inc.

b) Investments

The investment in DHK Resources Ltd. is recorded using the equity method of accounting.

c) Capital assets

Capital assets are stated at cost less accumulated amortization, which is recorded over the useful lives of the assets on the declining balance basis at the following annual rates:

| | |
|------------------------|-----|
| Computer | 30% |
| Furniture and fixtures | 20% |

d) Income taxes

The Company uses the liability method for recording income taxes and records future income tax liabilities and assets for temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet, using tax rates anticipated to apply in the periods that the differences are expected to reverse.

e) Mineral properties

Costs relating to the acquisition and exploration of mineral properties are deferred until the properties are placed into commercial production, sold, or abandoned. These costs are to be amortized over the estimated useful life of the property following commencement of production, or written off as properties are sold or abandoned.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Stock-based compensation

The Company uses the fair value method to recognize options granted. Accordingly, all stock-based payments are measured at the fair value of the equity instruments issued on the date of grant. The fair value of stock-based payments is periodically re-measured until counter-party performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

g) Foreign currency translation

Transactions and balances in currencies other than the Canadian dollar are translated using the temporal method. Accordingly revenue, expenses and non-monetary balances are translated at the rate of exchange prevailing at the transaction dates, and monetary balances are translated at the rate prevailing at the balance sheet date with resulting exchange gains and losses being included in the determination of income.

h) Loss per share

The Company uses the treasury stock method for the calculation and presentation of both basic and diluted loss per share.

i) Fair market value of financial instruments

The carrying value of cash, accounts receivable and accounts payable approximate fair market value because of the short maturity of those instruments.

j) Interim financial statements

These interim unaudited financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management reflect all normal recurring adjustments necessary to present fairly the Company's financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

3. INVESTMENTS AND ADVANCES

The Company owns a one-third interest in DHK Resources Ltd. ("DHK"), a Northwest Territories corporation which has various interests in potentially diamond bearing mineral claims in the Lac de Gras area of the Northwest Territories.

The investment has been written down to \$nil as a result of recognizing the proportionate share of the losses of DHK.



DENTONIA RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED NOVEMBER 30, 2004 AND 2003

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4. MINERAL PROPERTIES

| | November 30, 2004 \$ | August 31, 2004 \$ |
|------------------------------------|----------------------------|--------------------------|
| Tintina Gold Belt - HY property | 37,241 | 7,313 |
| Tintina Gold Belt - ELF property | 14,053 | 13,423 |
| Lac de Gras, Northwest Territories | 635 | - |
| Pellatt Lake | 14,800 | 14,800 |
| Atkinson Gold Prospect | <u>40,922</u> | <u>39,459</u> |
| | <u>107,651</u> | <u>74,995</u> |

Tintina Gold Belt, Yukon Territories

Pursuant to an Option Agreement dated September 4, 2003 (amended October 14, 2004), the Company acquired the right to obtain a 100% interest in 56, two-post mineral claims (the "HY property") recorded in the name of Phelps Dodge Corporation of Canada, located north of the Hyland River, approximately 185km north of Watson Lake, within the Tintina Gold Belt, southeastern Yukon, Watson Lake Mining District. Additionally, the Company staked 8 more claims (HY80-87) adjacent to and east of the HY property, which claims are held in trust by a director of the Company.

Pursuant to the agreement, the Company has paid \$17,241 in staking costs, consulting fees and other expenditures and must complete a \$100,000 work commitment by November, 2005. The Company is also required to make cash payments totalling \$110,000 in stages over the next 6 years (\$20,000 paid).

The Company has also staked for its own and sole account, 6, two-post mineral claims (the "ELF property") located 175km northeast of Watson Lake, within the Tintina Gold Belt.

Lac de Gras, Northwest Territories

The Company, through its 1/3 equity position in DHK Diamonds Inc., holds, indirectly, pursuant to a Joint Venture Agreement dated December 6, 2002, interests in 3 mineral leases, which are recorded in the name of BHP Billiton Diamonds Inc.

Pellatt Lake, Northwest Territories

The Company has staked for its own and sole account 7 mineral claims and holds, indirectly, through its 1/3 equity position in DHK Diamonds Inc., an interest in another 6 mineral claims at Pellatt Lake, Northwest Territories.

Atkinson Gold Prospect

The Company has entered into an agreement to obtain a 100% interest in 5 claim groups referred to as the Atkinson Gold Prospect, in the Porcupine Mining District, Ontario. Pursuant to the agreement, the Company has issued 150,000 shares and paid \$25,922 in staking costs, engineering fees and other expenditures and must complete a \$350,000 work commitment by April 15, 2005. The Company is also required to make cash payments totalling \$990,000 in stages over the next 10 years.



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5. CAPITAL ASSETS

| | Cost | Accumulated Amortization | November 30, 2004 Net Book Value | August 31, 2004 Net Book Value |
|------------------------|---------------|-----------------------------|---|---|
| | \$ | \$ | \$ | \$ |
| Computer | 16,920 | 16,359 | 561 | 607 |
| Furniture and fixtures | <u>23,245</u> | <u>21,222</u> | <u>2,023</u> | <u>2,129</u> |
| | <u>40,165</u> | <u>37,581</u> | <u>2,584</u> | <u>2,736</u> |

6. CAPITAL STOCK

Authorized:

| | |
|-------------|--|
| 100,000,000 | Common shares without par value |
| 10,000,000 | Class A preferred shares without par value |

Issued:

| | # | \$ |
|---------------------------------|-------------------|------------------|
| August 31, 2003 | 17,112,208 | 7,390,070 |
| Directors' options exercised | 930,000 | 93,000 |
| Acquisition of mineral property | 150,000 | 15,000 |
| Private placement | <u>4,535,000</u> | <u>272,100</u> |
| August 31, 2004 | 22,727,208 | 7,770,170 |
| Private placement | <u>1,680,000</u> | <u>100,800</u> |
| November 30, 2004 | <u>24,407,208</u> | <u>7,870,970</u> |

a) Private placements:

In 2004, the Company issued 4,535,000 units at \$0.06 per unit for proceeds of \$272,100. Each unit consisted of one common share and one non-transferable share purchase warrant exercisable at \$0.10 per share to September 7, 2005 and at \$0.20 per share after September 7, 2005 to September 7, 2006.

During the first quarter of 2005, the Company completed a non-brokered private placement of 1,680,000 units at \$0.06 per unit for total proceeds of \$100,800. Each unit consisted of one common share and one non-transferable share purchase warrant exercisable at \$0.10 per share to October 7, 2005 and at \$0.20 per share after October 7, 2005 to October 7, 2006.

b) Options:

The Company has implemented a stock option plan (the "Plan") to grant options to directors, senior officers, employees, dependent contractors and consultants of the Company. The Plan reserves for issuance up to 10% of the issued and outstanding share capital of the Company from time to time, and provides that it is solely within the discretion of the Board to determine who should receive options and in what amounts. Options granted under the Plan will be for a term not to exceed 5 years from the date of their grant and will be exercisable at a price not less than the Discounted Market Price.



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6. CAPITAL STOCK (continued)

b) Options (continued):

Stock option transactions are summarized as follows:

| | Number of Options | Weighted Average Exercise Price |
|--|----------------------|--|
| Balance, August 31, 2004 | 1,665,000 | \$ 0.10 |
| Granted | <u>250,000</u> | <u>0.10</u> |
| Balance, November 30, 2004 | <u>1,915,000</u> | <u>\$ 0.10</u> |
| Weighted average fair value of options granted | | <u>\$ 0.03</u> |

Of the options outstanding, 1,677,500 are currently exercisable and have expiry dates ranging from January 22, 2006 to March 27, 2007.

c) Stock-based compensation

During the year, the Company issued 250,000 (2004 - 910,000) stock options to directors and consultants. As a result \$1,875 (2004 - \$28,200) has been recorded as stock-based compensation and credited to contributed surplus. The fair value of each option granted is estimated on the grant date using the Black-Scholes option pricing model. The assumptions used in calculating fair value are as follows:

| | |
|--------------------------|----------------|
| Risk-free interest rate | 2.83% to 2.89% |
| Expected life of options | 2 - 3 years |
| Expected volatility | 50% |
| Expected dividend yield | 0.0% |

d) Warrants

Warrants have been granted and are exercisable in whole or in part until expiry allowing the holders to purchase a maximum of 7,415,000 common shares. 1,200,000 warrants expired subsequent to the quarter-end on January 13, 2005. 4,535,000 warrants are exercisable at \$0.10 per share until September 7, 2005 and at \$0.20 per share after September 7, 2005 and before September 7, 2006. The remaining 1,680,000 warrants are exercisable at \$0.10 per share until October 7, 2005 and at \$0.20 per share after October 7, 2005 and before October 7, 2006.

7. RELATED PARTY TRANSACTIONS

Included in the determination of net loss for the period are salaries and fees to a director recorded at their exchange amounts of \$13,000 (2003 - \$11,000), and stock based compensation to directors recorded at their fair values of \$1,875 (2003 - \$nil). Also, included in mineral properties are fees paid to a director recorded at the exchange amount of \$2,000 (2003 - \$nil).



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FOR THE PERIODS ENDED NOVEMBER 30, 2004 AND 2003

(Unaudited - see Notice to Reader)

8. LOSSES CARRIED FORWARD

The Company has approximately \$1,030,000 in non-capital losses which can be applied to reduce future taxable income, expiring as follows:

| | \$ |
|------|---------|
| 2005 | 242,000 |
| 2006 | 201,000 |
| 2007 | 144,000 |
| 2008 | 122,000 |
| 2009 | 105,000 |
| 2010 | 60,000 |
| 2011 | 156,000 |

Cumulative Canadian Development and Exploration Expenses of approximately \$1,766,000 are available to reduce future taxable income.

Net capital losses which can be applied to reduce future taxable gains amount to \$304,000.

