

**SENNEN RESOURCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**OCTOBER 31, 2004**

(Unaudited – prepared by management)

## **SENNEN RESOURCES LTD.**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim 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 financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**SENNEN RESOURCES LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
AS AT  
(unaudited – prepared by management)

	Oct 31, 2004	Jan 31, 2004
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 709,722	\$ 2,567,061
Receivables	25,495	22,426
Prepaid expenses and deposits	66,400	29,107
Advances to related parties (Note 8)	<u>-</u>	<u>140,010</u>
	801,617	2,758,604
<b>Equipment</b> (Note 4)	79,153	96,020
<b>Deposits</b> (Note 5)	25,809	25,809
<b>Mineral properties</b> (Note 6)	1	1,042,970
<b>Deferred exploration costs</b> (Note 7)	<u>-</u>	<u>788,742</u>
	<u>\$ 906,580</u>	<u>\$ 4,712,145</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 104,139	\$ 60,050
Current portion of obligation under capital lease	<u>4,633</u>	<u>4,573</u>
	108,772	64,623
<b>Obligation under capital lease</b> (Note 9)	<u>58,074</u>	<u>61,530</u>
	<u>166,846</u>	<u>126,153</u>
<b>Shareholders' equity (deficiency)</b>		
Capital stock (Note 10)	13,068,253	13,083,253
Subscriptions receivable	-	(15,000)
Contributed surplus	976,887	976,887
Deficit	<u>(13,305,406)</u>	<u>(9,459,148)</u>
	<u>739,734</u>	<u>4,585,992</u>
	<u>\$ 906,580</u>	<u>\$ 4,712,145</u>

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 12)

**On behalf of the Board:**

\_\_\_\_\_  
“Ian T. Rozier” Director      “Douglas B. Hyndman” Director

The accompanying notes are an integral part of these consolidated financial statements.

**SENNEN RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
(Unaudited – prepared by management)

	For the Three Months Ended Oct. 31, 2004	For the Three Months Ended Oct. 31, 2003	For the Nine Months Ended Oct. 31, 2004	For the Nine Months Ended Oct. 31, 2003
<b>EXPENSES</b>				
Accounting and audit	\$ 600	\$ 13,649	\$ 4,425	\$ 16,124
Administration fees	7,500	-	22,500	-
Amortization	6,418	2,487	20,752	7,459
Consulting	49,110	95,364	190,396	136,864
Exploration costs	-	20,542	28,951	20,542
Foreign exchange	-	4,865	4,592	3,705
Interest on obligation under capital lease	1,260	-	3,821	-
Legal	3,986	7,159	9,409	10,334
Management fees	18,000	25,500	36,000	25,500
Office and miscellaneous	363	18,263	20,386	25,625
Rent	7,500	11,300	37,161	18,500
Shareholder communications	-	11,301	5,371	13,217
Transfer agent and filing fees	1,098	18,092	8,112	23,409
Travel and auto	5,433	26,071	21,160	37,920
Wages and benefits	-	6,604	-	6,604
<b>Loss before other items</b>	<u>(101,268)</u>	<u>(261,197)</u>	<u>(413,036)</u>	<u>(345,803)</u>
<b>OTHER ITEMS</b>				
Interest income	4,600	3,312	24,335	4,096
Write-off of mineral property	(1,042,969)	-	(1,042,969)	-
Write-off of deferred exploration costs	<u>(2,414,588)</u>	<u>-</u>	<u>(2,414,588)</u>	<u>-</u>
	<u>(3,452,957)</u>	<u>3,312</u>	<u>(3,433,222)</u>	<u>4,096</u>
<b>Loss for the period</b>	(3,554,225)	(257,885)	(3,846,258)	(341,707)
<b>Deficit, beginning of period</b>	<u>(9,751,181)</u>	<u>(8,201,253)</u>	<u>(9,459,148)</u>	<u>(8,117,431)</u>
<b>Deficit, end of period</b>	<u>\$ (13,305,406)</u>	<u>\$ (8,459,138)</u>	<u>\$ (13,305,406)</u>	<u>\$ (8,459,138)</u>
<b>Basic and diluted loss per common share</b>	\$ (0.09)	\$ (0.01)	\$ (0.09)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	41,384,893	30,392,140	41,408,068	26,070,608

The accompanying notes are an integral part of these consolidated financial statements.

**SENNEN RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited – prepared by management)

	For the Three Months Ended Oct. 31, 2004	For the Three Months Ended Oct. 31, 2003	For the Nine Months Ended Oct. 31, 2004	For the Nine Months Ended Oct. 31, 2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (3,554,225)	\$ (257,885)	\$ (3,846,258)	\$ (341,707)
Items not affecting cash:				
Amortization	6,418	2,487	20,752	7,459
Write-off of mineral property	1,042,969	-	1,042,969	-
Write-off of deferred exploration costs	2,414,588	-	2,414,588	-
Change in non-cash working capital items:				
Increase in receivables	(5,392)	(46,271)	(3,070)	(42,874)
Increase in prepaid expenses and deposits	-	(10,296)	(37,293)	(10,296)
Increase (decrease) in accounts payable and accrued liabilities	<u>(113,190)</u>	<u>42,237</u>	<u>44,089</u>	<u>31,045</u>
Net cash used in operating activities	<u>(208,832)</u>	<u>(269,728)</u>	<u>(364,223)</u>	<u>(356,373)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Advances to related parties	174,390	-	140,010	-
Deposits	-	(50,000)	-	(50,000)
Mineral properties	-	(103,644)	-	(142,969)
Deferred exploration costs	(420,905)	(122,459)	(1,625,846)	(122,459)
Acquisition of equipment	<u>-</u>	<u>(16,138)</u>	<u>(3,885)</u>	<u>(16,138)</u>
Net cash used in investing activities	<u>(246,515)</u>	<u>(292,241)</u>	<u>(1,489,721)</u>	<u>(331,566)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advance from (repayment to) related party	-	-	-	(50,000)
Issuance of common shares, net of costs	-	3,044,867	-	3,418,243
Repayment of obligation under capital lease	<u>(1,153)</u>	<u>(305)</u>	<u>(3,395)</u>	<u>(2,258)</u>
Net cash provided by (used in) financing activities	<u>(1,153)</u>	<u>3,044,562</u>	<u>(3,395)</u>	<u>3,365,985</u>
<b>Change in cash and cash equivalents during the period</b>	<b>(456,500)</b>	<b>2,482,593</b>	<b>(1,857,339)</b>	<b>2,678,046</b>
<b>Cash and cash equivalents, beginning of period</b>	<u><b>1,166,222</b></u>	<u><b>195,453</b></u>	<u><b>2,567,061</b></u>	<u><b>-</b></u>
<b>Cash and cash equivalents, end of period</b>	<u><b>\$ 709,722</b></u>	<u><b>\$ 2,678,046</b></u>	<u><b>\$ 709,722</b></u>	<u><b>\$ 2,678,046</b></u>

**Supplemental disclosure with respect to cash flows (Note 13)**

The accompanying notes are an integral part of these consolidated financial statements.

**1. NATURE AND CONTINUANCE OF OPERATIONS**

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to acquire and develop new mineral properties, receive continued financial support, complete public equity financings, or generate profitable operations in the future.

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	Oct 31, 2004	Jan 31, 2004
Deficit	\$ (13,305,406)	\$ (9,459,148)
Working capital	692,845	2,693,981

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the nine month period ended October 31, 2004 are not necessarily indicative of the results that may be expected for the year ending July 31, 2005. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and follow the same accounting policies as the annual financial statements. Accordingly, these financial statements should be read in conjunction with the 2004 annual consolidated financial statements and notes thereto.

**Mineral properties**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties that are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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(Unaudited – prepared by management)

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Mineral properties (cont'd...)**

The recorded cost of mineral exploration interests is based on cash paid, the assigned value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

**Deferred exploration costs**

The Company defers all exploration costs relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold or abandoned or management determines there to be an impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production.

**3. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, receivables, amounts due from a related party, deposits, accounts payable and accrued liabilities, and obligation under capital lease. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

**Financial risk**

The Company is exposed to financial risk arising from fluctuations in 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.

**4. EQUIPMENT**

	October 31, 2004			January 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 3,885	\$ 727	\$ 3,158	\$ -	\$ -	\$ -
Leased vehicle	96,020	20,025	75,995	96,020	-	96,020
	\$ 99,905	\$ 20,752	\$ 79,153	\$ 96,020	\$ -	\$ 96,020

The leased vehicle is for use by a director of the Company.

**SENNEN RESOURCES LTD.**

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2004

(Unaudited – prepared by management)

**5. DEPOSITS**

Deposits are comprised of amounts paid to the Department of Mines and Energy of Australia as security for the coal deposits in Queensland, Australia.

**6. MINERAL PROPERTIES**

	Makapa Gold Project, Guyana	Collingwood, Queensland Australia	Collingwood, Queensland Australia
Balance, beginning of period	\$ 1,042,969	\$ -	\$ 1,042,970
Written-off during the period	<u>(1,042,969)</u>	<u>1</u>	<u>(1,042,969)</u>
Balance, end of period	\$ -	\$ 1	\$ 1

Makapa Gold Project, Guyana

On March 10, 2003, the Company, through its wholly owned subsidiary, Sennen Resources (Barbados) Ltd., entered into an agreement to acquire an option to purchase the shares of Makapa Mining Inc. (“Makapa”), a Guyana company that owns certain mineral rights in northwestern Guyana from Makapa Minex Inc. (“Minex”), a company incorporated in the British Virgin Islands.

The terms of the acquisition of the Makapa shares were as follows:

- a) A payment of US\$50,000 (paid); and
- b) 15,000,000 common shares of the Company to be issued to the shareholders of Minex.

The shares issued will be by staged release over time based on exploration expenditures on the concession as follows:

- i) 3,000,000 shares within 10 days of approval by the TSX Venture Exchange (issued);
- ii) 3,000,000 shares after expenditures of US\$2,000,000;
- iii) 3,000,000 shares after expenditures of US\$4,000,000 or after 2 years, whichever is the earliest; and
- iv) 6,000,000 shares after expenditures of US\$6,000,000, or after 3 years, whichever is the earliest.

During the period, the Company announced it would not be proceeding with the option and consequently all related acquisition costs were written-off to operations.

Queensland, Australia

During the period, the Company reported that two of the Exploration Permits for Coal (“EPC’s”) held by the Company in Queensland, Australia have been converted to Mineral Development Licences (“MDL’s”).

During the year ended January 31, 2003, the mineral property costs and related deferred exploration costs were written down to a nominal value of \$1 in accordance with Accounting Guideline 11, of the Canadian Institute of Chartered Accountants Handbook.

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**6. MINERAL PROPERTIES (cont'd...)**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

**7. DEFERRED EXPLORATION COSTS**

<b>October 31, 2004</b>	Makapa, Guyana
Balance, beginning of period	\$ 788,742
Assays	29,184
Camp costs	413,074
Claim costs	21,199
Consultants	931
Contractors	11,964
Demobilization costs	359,712
Drilling	553,752
Field supplies	18,603
Fuel	9,199
Geology	30,217
Geophysics	38,127
Project supervision	120,454
Travel and related	19,430
	<u>1,625,846</u>
	<u>2,414,588</u>
Written-off during the period	(2,414,588)
Balance, end of period	\$ -

**8. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$108,000 to a company with a common director.
- b) Paid or accrued consulting fees of \$18,000 to a company controlled by an officer of the Company.
- c) Paid or accrued management fees of \$36,000 to a company controlled by an officer of the Company.
- d) Paid or accrued rent of \$22,500 to a company controlled by a director.
- e) Paid or accrued project supervision fees of \$120,454 to a director of the Company which have been capitalized to deferred exploration costs.

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount established and agreed to by the related parties.

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(Unaudited – prepared by management)

**9. OBLIGATION UNDER CAPITAL LEASE**

	2004
Obligation under capital lease with imputed interest at 7.85 % per annum over a term expiring December 15, 2006, secured by a leased vehicle.	\$ 62,707
Less: current portion	<u>(4,633)</u>
Balance of obligation	\$ 58,074

Required minimum payments over the next 3 years are as follows:

2005	\$	10,560
2006		10,560
2007		<u>10,560</u>
	<u>\$</u>	<u>31,680</u>

**10. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Capital Stock		Contributed Surplus
	Number of Shares	Amount	
Authorized 99,711,539 common shares without par value			
Issued			
Balance, beginning of period	41,434,893	\$ 13,083,253	\$ 976,887
Shares return to treasury	<u>(50,000)</u>	<u>(15,000)</u>	<u>-</u>
Balance, end of period	41,384,893	\$ 13,068,253	\$ 976,887

**SENNEN RESOURCES LTD.**  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**11. STOCK OPTIONS AND WARRANTS**

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Under the plan, options vest on grant and have a maximum term of five years.

At October 31, 2004, the Company had incentive stock options and warrants outstanding enabling holders to acquire the following:

	Number of Shares	Exercise Price	Expiry Date
<b>Options:</b>	6,010,000	\$ 0.40	December 28, 2005
<b>Warrants:</b>	11,189,506	0.50	September 16, 2005

**12. COMMITMENTS**

a) The Company leases office premises under terms of an operating lease with a company controlled by a director. The lease provides for annual basic lease payments through expiry approximately as follows:

2005	\$ 30,000
2006	30,000
2007	30,000
2008	<u>10,000</u>
	<u>\$ 100,000</u>

b) The Company entered into a consulting contract with a company with a common director. The Company has agreed to pay the company \$12,000 per month until August 31, 2005. The contract can be terminated by the Company by providing 30 days written notice.

**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	October 31, 2004
Cash paid for interest	\$ 3,821

There were no significant non-cash transactions for the period ended October 31, 2004.

**SENNEN RESOURCES LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Unaudited – prepared by management)

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**14. SEGMENTED INFORMATION**

The Company operates in one business segment being the acquisition and exploration of mineral properties.

The Company's identifiable assets are located in the following countries:

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	2004
Australia	\$ 29,058
Canada	<u>877,522</u>
	<u>\$ 906,580</u>

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**14. SUBSEQUENT EVENTS**

Subsequent to October 31, 2004, the Company announced that through its Australian subsidiary, Ribfield Pty Ltd., has reached an agreement with DJB Coal Pty Ltd. ("DJB Coal") of Sydney, New South Wales, Australia whereby DJB Coal has entered into a Joint Venture to finance and develop the Middlemount, Collingwood and Onaview coal deposits in Queensland, Australia.

Under the terms of these agreements DJB Coal has acquired an interest of 5% of Middlemount with the right to acquire a further 65% interest, and has acquired a 10% interest in Collingwood and Onaview, with the right to earn a further 60% in each of these two projects. DJB Coal will acquire these interests in return for payment of all present and future rental costs due on the Onaview deposit, the payment of all future rental amounts on the Collingwood and Middlemount projects, and will conduct all the required engineering work for the completion of bankable feasibility studies at their cost on each deposit within 5 years, being the term of the agreements. In the event that agreement is reached over the sale of the Middlemount coal property to a third party prior to the completion of a feasibility study, the Company and DJB Coal will each have a 50% interest in the proceeds from the sale.

## **SENNEN RESOURCES LTD.**

### **FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS NINE MONTH PERIOD ENDED OCTOBER 31, 2004**

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The following discussion and analysis, prepared as of December 23, 2004, should be read together with the unaudited consolidated financial statements for the nine month period ended October 31, 2004 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements for the year ended January 31, 2004 and 2003, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Description of Business**

The Company is a natural resource company engaged in acquisition, exploration, and development of mineral properties. It currently holds coal deposits in Queensland, Australia. The Company trades on the TSX Venture Exchange under the symbol SN.

### **Performance Summary**

The Company did not raise funds or issue shares during the period.

### **Mineral Properties**

In July 2004 the Company reported that two of the Exploration Permits for Coal ("EPC's") held by the Company in Queensland, Australia had been converted to Mineral Development Licences. The EPC 597 (Middlemount) in the Bowen Basin is now designated as MDL 282. The Middlemount coal deposit contains both open-cut and underground coal resources of thermal and coking coal. The EPC 640 (Collingwood) in the Surat Basin remains in good standing and an Application has been made to convert EPC 640 to an MDL. The EPC 594 (Ownaview) near Dalby in southern Queensland is now designated as MDL-283.

Under the rules governing mineral leases in Queensland, MDL's are only granted when a deposit is considered to have large "Measured and Indicated Class I Reserves" in accordance with the classification system used by the Queensland Department of Mines and Energy. Although Government Publications, technical papers and resource/reserve classification systems are not acceptable sources for reporting of coal resource estimates, the Company considers the transfer of the EPC's into MDL's as being significant in that it further demonstrates the validity of the previous work done on the Middlemount and Ownaview coal deposits by the Shell Company of Australia. The Company anticipates that EPC-640 (Collingwood) will also be transferred to an MDL in the near future. The Company has retained its interest in all three coal deposits since January 1998. With the transfer of the EPC's to MDL's no further expenditures on exploration are required.

In the July 2004 Release the Company noted that there is "renewed interest in coal resources in Australia, particularly from China, and several entities have approached the Company with respect to potential joint ventures and operating/contract mining agreements", and that "the Company is currently reviewing all its options with its consultants in Australia with respect to how to proceed with the development and/or sale of its coal interests there." Since that time the Company has been in negotiations with various entities interested in participating in the development of its coal assets in Australia and anticipates concluding an agreement in the near future.

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
NINE MONTH PERIOD ENDED OCTOBER 31, 2004**

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In the third quarter the Company decided to withdraw from the Five Star/Makapa Project in northwest Guyana and Mr. Hilbert Shields resigned from the Company Board of Directors. Extensive exploration work was conducted in Guyana during 2004, particularly on the Makapa Zone where previous field mapping and drilling had indicated the presence of several high-grade quartz veins. Having reviewed the results from diamond drilling (released on April 26, 2004 and August 20, 2004), the Board of Directors decided that the dilution of the Company resulting from a required financing, and the issuance of shares to the vendors, was not warranted in order to continue with the project based on results to date. Accordingly, the Company informed the vendors that it will not be continuing with its option agreement to acquire the shares of Makapa Mining Inc.

On November 26, 2004, as a subsequent event to the third quarter, the Company announced that the recent increases in long term coal contract prices was reflected in the significant recent increase in the share prices of operating coal companies around the world and that a publication of very 'bullish' articles written in Canada's national newspapers (Globe and Mail, Saturday 20<sup>th</sup> November, 2004, and the National Post, Monday November 22, 2004) with respect to the short and long term prospects for the coal mining industry, had inundated the Company with inquiries as to the status of the Middlemount, Collingwood and Onaview projects.

***“The renewed interest in world coal has been reflected in the interest being shown in companies such as Sennen. We own large, advanced, undeveloped coal projects with Measured Resources located in areas with excellent infrastructure that have Mineral Development Licences”,*** stated Ian Rozier, President of Sennen. ***“The current commodities cycle for coal has been a long time coming and we will move on the opportunity to exploit it”,*** he further stated.

On December 2, 2004 the Company reported that, through its Australian subsidiary, Ribfield Pty Ltd., it had reached an agreement with DJB Coal Pty Ltd. ("DJB Coal") of Sydney, New South Wales, Australia whereby DJB Coal has entered into a Joint Venture to finance and develop the Middlemount, Collingwood and Onaview coal deposits in Queensland, Australia.

The historical measured coal reserves and resources at the Middlemount, Collingwood and Onaview were reported in a News Release dated January 26th 1998 and July 15th, 2004. The historical coal reserve and resource estimates were prepared by the Shell Company of Australia as part of a pre-feasibility study and the Company considers the data used for estimates to be relevant and reliable. The historical and current resource estimates and status of the three coal projects are summarized as follows;

- At Middlemount, previous holders of the property conducted Resource and Reserve Estimates and the Company is currently re-evaluating the coal resources in accordance with NI 43-101 requirements. At this time the Company is focusing coal in the Pisces and Middlemount seams only where the Queensland Department of Mines and Energy ("QDME") quotes "Measured and Indicated Class I Reserves" in these two seams of 159 million tones of low to medium volatile, low sulfur, bituminous coal. However, Government publications and related resource/reserve classifications systems are not considered acceptable sources for reporting of coal resource/reserve estimates in accordance with NI 43-101 requirements. The Company's updated internal resource estimates are that 113 million tonnes of coal are in the Measured resource category and that the balance of 46 million tonnes is in the Indicated resource category in these two seams. Significant Indicated Coal Resources exist in other seams at Middlemount. The Exploration Permit for Coal ("EPC") at Middlemount was converted to a Mineral Development Licence ("MDL") earlier this year. In Queensland, MDL's are only granted when the subject property is considered by the QDME to contain mineable coal "reserves"; hence the granting of the MDL adds further confidence in the integrity of the Company's coal 'Resources' at Middlemount.
- At Onaview, the reported Measured Resource is 172 million tonnes of recoverable, high volatile, low sulfur, thermal coal occurring in seams ranging from 4 to 8m thick. The data used for this estimate is considered relevant and reliable and consistent with JORC standards for the reporting of coal resources. The EPC at Onaview was also converted to an MDL earlier this year.

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**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
NINE MONTH PERIOD ENDED OCTOBER 31, 2004**

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- At Collingwood the historical Measured Resource estimate is 85 million tonnes, with a further Indicated Resource of 30 million tonnes of high volatile, low sulfur thermal coal as estimated by the Shell Company of Australia. The date used for these estimates is considered relevant and reliable and is considered to be in compliance with current JORC standards for the reporting of resource estimates. Application has been made to convert the Collingwood EPC to an MDL.

In the July 15th, 2004 news release the Company stated that "several entities had approached the Company with respect to potential joint ventures and operating/contract mining agreements", and that the Company was "reviewing all its options with respect to how to proceed with the development and/or sale of its coal interests". As reported in a news release dated November 26, 2004 the Company has been in discussion with various entities in the coal industry since that time and is pleased to report that it has selected DJB Coal as its partner to develop its coal properties going forward. The Company has reached comprehensive agreements with DJB Coal that cover the maintenance and rental, payments, exploration, engineering, development, and the completion of feasibility studies on all three coal projects.

Under the terms of these agreements DJB Coal has acquired an interest of 5% of Middlemount with the right to acquire a further 65% interest, and has acquired a 10% interest in Collingwood and Onaview, with the right to earn a further 60% in each of these two projects. DJB Coal will acquire these interests in return for payment of all present and future rental costs due on the Onaview deposit, the payment of all future rental amounts on the Collingwood and Middlemount projects, and will conduct all the required engineering work for the completion of bankable feasibility studies at their cost on each deposit within 5 years, being the term of the agreements. In the event that agreement is reached over the sale of the Middlemount coal property to a third party prior to the completion of a feasibility study, the Company and DJB Coal will each have a 50% interest in the proceeds from the sale.

DJB Coal, a company that was formed by a group of Australian energy industry executives, is focused specifically to look for opportunities for investment in coal. They have access to extensive knowledge about the Queensland Coal Industry as well as the international coal market. As such, DJB Coal has the worldwide industry knowledge and the contact base that Sennen needs in order to maximize its value from the Middlemount, Collingwood and Onaview coal projects. DJB Coal is controlled by David Mathew and Jeremy Barlow, both of whom have extensive experience in the Australian Coal Industry; Mr. Mathew headed up coal exploration with BHP Coal for many years and Mr. Barlow is chairman of the international coal consulting company, Barlow Jonker Pty Ltd., where recent consulting tasks have been concerned with supply capacity from China, import demand, and the identification of investment opportunities. Mr. Barlow is involved with, and is a director of, the recent coal float CH4 Gas Limited in Australia, which owns 50% of the Moranbah Gas Project in Queensland in joint venture with BHP Coal.

Queensland is the largest coal exporting state in the world with approximately 75% of its coal production going to the export market. Queensland's coalfields have been the subject of massive export infrastructure projects that include dams, power stations, rail links and port facilities. The operating costs of Queensland coal mines make them extremely competitive with some of the lowest production costs in the world. In light of the recent increases in long term coal contract prices there is renewed worldwide interest in coal companies, particularly those with large, advanced, underdeveloped coal projects with measured resources located in areas with excellent infrastructure, such as the Middlemount, Collingwood and Onaview projects. In entering into these agreements with DJB Coal the Company is moving on the opportunity to exploit the current commodities cycle and to move these projects ahead in the next 5 years so as to increase their value and take advantage of the current high demand for coal assets.

***"In DJB Coal we have found the ideal partner that now has a significant interest in developing and marketing our coal projects in Australia and realizing their value. The ability to do this type of deal with industry leaders like DJB Coal is precisely the reason why we held on to these projects through an extremely weak cycle over the last few years", stated Ian Rozier, President of Sennen Resources Ltd. "We think the Sennen/DJB Coal arrangement is an excellent opportunity for the shareholders of the Company".***

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NINE MONTH PERIOD ENDED OCTOBER 31, 2004**

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**Selected Annual Information**

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements.

	Year Ended January 31, 2004	Year Ended January 31, 2003	Year Ended January 31, 2002
Total revenues	\$ 23,267	\$ -	\$ 2,449
Net loss	1,341,717	5,781,109	670,152
Basic and diluted loss per share	(0.05)	(0.26)	(0.03)
Total assets	4,712,145	82,898	5,859,359
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

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The Company earns interest revenue from cash held in banks and guaranteed investments held as short term investments. During the fiscal year ended 2002, the Company decided to write-off various mineral property claims and deferred exploration costs resulting in a decrease in total assets and an increase in net loss over the period. During the 2002 fiscal year end, the Company actively sought after new acquisitions. In 2003, the Company completed a \$3.2 million private placement financing and acquired the project in Guyana.

The Company's accounting policy is to record its mineral properties at cost. Exploration and development expenditures relating to mineral properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

**Results of Operations**

The Company incurred a loss of \$292,033 (2003 - \$83,822) during the period. Some of the significant expenses are as follows: paid or accrued \$141,286 (2003 - \$41,500) in consulting fees, \$15,000 (2003 - \$Nil) in administration fees, rent of \$29,661 (2003 - \$7,200), management fees of \$18,000 (2003 - \$Nil) and travel and related costs of \$15,727 (2003 - \$11,849).

The current period overall administration expenses increased over the previous period because there was significantly more activity within the Company as a result of the completed financing and property acquisition that completed in late fiscal 2003.

The Company also earned \$19,735 (2003 - \$784) from its cash and short term investments during the period.

**SENNEN RESOURCES LTD.****FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
NINE MONTH PERIOD ENDED OCTOBER 31, 2004****Summary of Quarterly Results**

	Three Months Ended October 31, 2004	Three Months Ended July 31, 2004	Three Months Ended April 30, 2004	Three Months Ended January 31, 2004
Total assets	\$ 906,580	\$ 4,575,149	\$ 4,564,906	\$ 4,712,145
Mineral properties and deferred costs	1	3,036,653	2,377,511	1,831,712
Working capital (deficiency)	692,845	1,205,031	2,016,597	2,693,981
Shareholders' equity	739,734	4,293,959	4,453,206	4,585,992
Revenues	4,600	7,133	12,622	19,171
Net Loss	(3,554,225)	(159,247)	(132,786)	1,000,010
Earnings (loss) per share	(0.09)	(0.01)	(0.01)	(0.03)

	Three Months Ended October 31, 2003	Three Months Ended July 31, 2003	Three Months Ended April 30, 2003	Three Months Ended January 31, 2003
Total assets	\$ 4,038,221	\$ 309,307	\$ 299,267	\$ 82,898
Mineral properties and deferred costs	1,165,429	39,326	29,744	1
Working capital (deficiency)	2,683,090	186,167	183,152	(67,080)
Shareholders' equity	3,944,796	257,814	246,318	(31,739)
Revenues	3,312	664	120	2,449
Net Income (loss)	(257,885)	(42,880)	(40,942)	(611,020)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.03)

Significant changes in key financial data between the comparative periods can be attributed to the acquisition of the Company's mineral property and from the closing of its private placement during 2003. During the current period, the Company announced that it would not be proceeding with the option to acquire the Makapa property in Guyana. Accordingly, all related costs were written-off to operations. This write-off represented \$3,457,557 of the current period loss.

**Liquidity**

The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The

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continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

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	October 31, 2004	January 31, 2004
Working capital	\$ 692,845	\$ 2,693,981
Deficit	(13,305,406)	(9,459,148)

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Net cash used in operating activities for the nine month period ended October 31, 2004 was \$364,223 compared to net cash used of \$356,373 during the nine month period ended October 31, 2003. The cash used in operating activities for the period consists primarily of the operating loss.

Net cash used in investing activities for the nine month period ended October 31, 2004 was \$1,489,721 compared to net cash used in investing activities of \$331,566 during the nine month period ended October 31, 2003. Cash used during the current period consists primarily of expenditures on the Company's mineral property in Guyana.

Financing activities used cash of \$3,395 during the nine month period ended October 31, 2004, compared to \$3,365,985 provided by financing activities for the nine month period ended October 31, 2003. Cash provided during the previous period consisted of the exercise of share purchase warrants and the completion of a \$3,200,000 private placement financing.

### **Capital Resources**

The Company has sufficient funds to meet its property exploration commitments for 2004 and cover anticipated administrative expenses throughout the year. The Company will continue to focus its development efforts in Queensland, Australia on the Company's coal deposits.

### **Related Party Transactions**

Included in advance to related parties at October 31, 2004 is \$Nil (January 31, 2004 - \$140,010) due from a company controlled by a director, is for exploration advances.

The Company entered into the following transactions with related parties during the period:

- a) Paid or accrued consulting fees of \$108,000 to a company with a common director.
- b) Paid or accrued rent of \$22,500 to a company controlled by a director.
- c) Paid or accrued consulting fees of \$18,000 to a company controlled by a director.
- d) Paid or accrued management fees of \$36,000 to a company controlled by a director.
- e) Paid or accrued project supervision fees of \$120,454 to a director of the Company which have been capitalized to deferred exploration costs.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

## **Management Changes**

During the period, Mr. Hilbert Shields resigned from the board of directors.

## **Financial Instruments**

The Company's financial instruments consist of cash, receivables and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

## **Subsequent Events**

Subsequent to October 31, 2004, the Company announced that through its Australian subsidiary, Ribfield Pty Ltd., has reached an agreement with DJB Coal Pty Ltd. ("DJB Coal") of Sydney, New South Wales, Australia whereby DJB Coal has entered into a Joint Venture to finance and develop the Middlemount, Collingwood and Onaview coal deposits in Queensland, Australia.

Under the terms of these agreements DJB Coal has acquired an interest of 5% of Middlemount with the right to acquire a further 65% interest, and has acquired a 10% interest in Collingwood and Onaview, with the right to earn a further 60% in each of these two projects. DJB Coal will acquire these interests in return for payment of all present and future rental costs due on the Onaview deposit, the payment of all future rental amounts on the Collingwood and Middlemount projects, and will conduct all the required engineering work for the completion of bankable feasibility studies at their cost on each deposit within 5 years, being the term of the agreements. In the event that agreement is reached over the sale of the Middlemount coal property to a third party prior to the completion of a feasibility study, the Company and DJB Coal will each have a 50% interest in the proceeds from the sale.