



British Columbia Securities Commission

**QUARTERLY AND YEAR END REPORT  
BC FORM 51-901F**

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<b>ISSUER DETAILS</b>		FOR QUARTER ENDED		DATE OF REPORT		
NAME OF ISSUER				Y	M	D
SENNEN RESOURCES LTD.		04   01   31		04	06	11
ISSUER ADDRESS						
SUITE 408 – 837 WEST HASTINGS STREET						
CITY/	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.		
VANCOUVER	BC	V6C 3N6	604-685-6493	604-685-6851		
CONTACT PERSON		CONTACT'S POSITION		CONTACT TELEPHONE NO.		
IAN ROZIER		DIRECTOR		604-685-6851		
CONTACT EMAIL ADDRESS		WEB SITE ADDRESS				

**CERTIFICATE**

*The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.*

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED		
"IAN T. ROZIER"	IAN T. ROZIER	Y	M	D
		04	06	21
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED		
"DOUGLAS B. HYNDMAN"	DOUGLAS B. HYNDMAN	Y	M	D
		04	06	21

**SENNEN RESOURCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JANUARY 31, 2004**

## **AUDITORS' REPORT**

To the Shareholders of  
Sennen Resources Ltd.

We have audited the consolidated balance sheets of Sennen Resources Ltd. as at January 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**"DAVIDSON & COMPANY"**

Vancouver, Canada

Chartered Accountants

June 11, 2004

A Member of *SC INTERNATIONAL*

**SENNEN RESOURCES LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT JANUARY 31**

	2004	2003
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,567,061	\$ -
Receivables	22,426	7,627
Prepaid expenses and deposits	29,107	16,311
Advances to related parties (Note 9)	<u>140,010</u>	<u>-</u>
	2,758,604	23,938
<b>Equipment</b> (Note 4)	96,020	33,150
<b>Deposits</b> (Note 5)	25,809	25,809
<b>Mineral properties</b> (Note 6)	1,042,970	1
<b>Deferred exploration costs</b> (Note 7)	<u>788,742</u>	<u>-</u>
	\$ 4,712,145	\$ 82,898
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Bank overdraft	\$ -	\$ 5,370
Accounts payable and accrued liabilities	60,050	31,984
Due to related party (Note 9)	-	50,000
Current portion of obligation under capital lease	<u>4,573</u>	<u>3,664</u>
	64,623	91,018
<b>Obligation under capital lease</b> (Note 10)	<u>61,530</u>	<u>23,619</u>
	<u>126,153</u>	<u>114,637</u>
<b>Shareholders' equity (deficiency)</b>		
Capital stock (Note 11)	13,083,253	8,085,692
Subscriptions receivable (Note 18)	(15,000)	-
Contributed surplus (Note 11)	976,887	-
Deficit	<u>(9,459,148)</u>	<u>(8,117,431)</u>
	<u>4,585,992</u>	<u>(31,739)</u>
	\$ 4,712,145	\$ 82,898

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

**Commitments** (Note 14)

**Subsequent event** (Note 18)

**On behalf of the Board:**

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 "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**  
**YEAR ENDED JANUARY 31**

	2004	2003
<b>EXPENSES</b>		
Accounting and audit	\$ 39,715	\$ 15,525
Administration fees	10,000	-
Amortization	8,702	8,189
Consulting	175,879	84,300
Exploration costs	35,296	-
Interest on loan payable	-	21,000
Interest on obligation under capital lease	2,033	1,805
Legal	15,624	7,949
Management fees	24,000	-
Office and miscellaneous	31,175	9,495
Rent	19,600	9,600
Shareholder communications	16,311	-
Stock-based compensation (Note 13)	901,666	-
Transfer agent and filing fees	31,034	8,972
Travel and auto	<u>53,385</u>	<u>18,516</u>
<b>Loss before other items</b>	<u>(1,364,420)</u>	<u>(185,351)</u>
<b>OTHER ITEMS</b>		
Interest income	23,267	-
Loss on disposal of equipment	(564)	(3,775)
Recovery of interest on loan payable (Note 8)	-	77,575
Write-down of mineral properties (Note 6)	-	(5,396,482)
Write-down of deferred exploration costs (Note 7)	<u>-</u>	<u>(273,076)</u>
	<u>22,703</u>	<u>(5,595,758)</u>
<b>Loss for the year</b>	(1,341,717)	(5,781,109)
<b>Deficit, beginning of year</b>	<u>(8,117,431)</u>	<u>(2,336,322)</u>
<b>Deficit, end of year</b>	<u>\$ (9,459,148)</u>	<u>\$ (8,117,431)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.05)</u>	<u>\$ (0.26)</u>
<b>Weighted average number of common shares outstanding</b>	<u>29,871,845</u>	<u>22,116,343</u>

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

**SENNEN RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JANUARY 31**

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (1,341,717)	\$ (5,781,109)
Items not affecting cash:		
Amortization	8,702	8,189
Stock-based compensation	901,666	-
Loss on disposal of equipment	564	3,775
Recovery of interest on loan payable	-	(77,575)
Write-down of mineral properties	-	5,396,482
Write-down of deferred exploration costs	-	273,076
Change in non-cash working capital items:		
(Increase) decrease in receivables	(14,799)	1,345
Increase in prepaid expenses and deposits	(12,796)	(9,890)
Increase in accounts payable and accrued liabilities	<u>28,066</u>	<u>33,679</u>
Net cash used in operating activities	<u>(430,314)</u>	<u>(152,028)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances to related parties	(140,010)	-
Mineral properties	(142,969)	-
Deferred exploration costs	(788,742)	(47,545)
Deposits recovered	-	9,420
Acquisition of equipment	<u>-</u>	<u>(10,000)</u>
Net cash used in investing activities	<u>(1,071,721)</u>	<u>(48,125)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advance from (repayment to) related party	(50,000)	30,000
Issuance of common shares, net of costs	4,157,782	-
Repayment of obligation under capital lease	<u>(33,316)</u>	<u>(6,347)</u>
Net cash provided by financing activities	<u>4,074,466</u>	<u>23,653</u>
<b>Change in cash and cash equivalents during the year</b>	<b>2,572,431</b>	<b>(176,500)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>(5,370)</u></b>	<b><u>171,130</u></b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,567,061</b>	<b>\$ (5,370)</b>
<b>Cash and cash equivalents are represented by:</b>		
Cash	\$ 2,567,061	\$ 1,902
Bank overdraft	<u>-</u>	<u>(7,272)</u>
	<b>\$ 2,567,061</b>	<b>\$ (5,370)</b>

**Supplemental disclosure with respect to cash flows (Note 15)**

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

**SENNEN RESOURCES LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 2004

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**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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	2004	2003
Deficit	\$ (9,459,148)	\$ (8,117,431)
Working capital (deficiency)	2,693,981	(67,080)

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Huisan Inc., Ribfield Pty. Ltd. and Sennen Resources (Barbados) Ltd. All significant inter-company balances and transactions have been eliminated upon consolidation.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

**Cash and cash equivalents**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

**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.

**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.

**Values**

The amounts shown for mineral properties and for deferred exploration costs represent costs to date, and do not necessarily represent present or future values, as they are entirely dependent upon the economic recovery of future reserves.

**Cost of maintaining mineral properties**

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

**Equipment**

Equipment, consisting of a vehicle, is recorded at cost less accumulated amortization. Amortization is calculated using the declining balance method at an annual rate of 30%.

**Foreign currency translation**

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in the Statement of Operations.

**Stock-based compensation**

Effective February 1, 2002, the Company adopted the new CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which recommends that stock options granted to employees and non-employees be accounted for at fair value. This section also permits, and the Company adopted, the use of the intrinsic value-based method for valuing stock options granted to employees. Under this method, compensation cost for options granted to employees is recognized only when the market price exceeds the exercise price at date of grant. However, pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted is required.

During the current year, the Company adopted, on a prospective basis, the fair value based method of accounting for all stock-based compensation.

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

**Income taxes**

Future income taxes are recorded for using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Diluted loss per common share has not been presented separately as this calculation proved to be anti-dilutive.

Basic and diluted loss per common share is calculated using the weighted average number of shares outstanding during the year.

**Comparative figures**

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

**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.

**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2004**

**4. EQUIPMENT**

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Leased vehicle	\$ 96,020	\$ -	\$ 96,020	\$ 39,000	\$ 5,850	\$ 33,150

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

**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**

	2004		2003	
Makapa Gold Project, Guyana	\$ 1,042,969	\$ -		
Collingwood, Queensland Australia	<u>1</u>	<u>1</u>		
	\$ 1,042,970	\$ 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 are 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.

**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2004**

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

Makapa Gold Project, Guyana (cont'd...)

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.

Collingwood, Queensland, Australia

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.

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**

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<b>2004</b>	<b>Makapa</b>
Balance, beginning of year	\$ -
Camp costs	205,734
Consultants	30,805
Contractors	48,607
Field supplies	49,533
Fuel	10,212
Geology	121,080
Geophysics	3,421
Licenses	149,955
Project supervision	103,010
Travel and related	<u>66,385</u>
	<u>788,742</u>
Balance, end of year	<u>\$ 788,742</u>

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**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2004**

**7. DEFERRED EXPLORATION COSTS (cont'd...)**

<b>2003</b>	<b>Onaview</b>	<b>Middlemount</b>	<b>Collingwood</b>	<b>Total</b>
Balance, beginning of year	\$ 64,980	\$ 59,503	\$ 101,048	\$ 225,531
Consulting	7,164	6,550	11,770	25,484
Licenses	13,043	5,058	3,960	22,061
	<u>20,207</u>	<u>11,608</u>	<u>15,730</u>	<u>47,545</u>
Write-down	<u>85,187</u>	<u>71,111</u>	<u>116,778</u>	<u>273,076</u>
	<u>(85,187)</u>	<u>(71,111)</u>	<u>(116,778)</u>	<u>(273,076)</u>
Balance, end of year	\$ -	\$ -	\$ -	\$ -

**8. LOAN PAYABLE**

During the year ended January 31, 2001, the Company obtained a loan in the amount of \$350,000, bearing interest at 12% per annum, to help finance its intended acquisition of Safe Explorer Software Corporation ("Safex"). As a result of the termination of the Safex acquisition, the Company repaid the lender in fiscal 2003 by issuing 875,000 common shares of the Company at \$0.40 per share and recovered accrued interest of \$77,575 on the loan payable.

**9. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$88,000 (2003 - \$60,000) to a company with a common director.
- b) Paid or accrued consulting fees of \$8,000 (2003 - \$12,000) to a company controlled by an officer of the Company.
- c) Paid or accrued management fees of \$24,000 (2003 - \$Nil) to a company controlled by an officer of the Company.
- d) Paid or accrued rent of \$19,600 (2003 - \$9,600) to a company controlled by a director.
- e) Paid or accrued project supervision fees of \$81,600 (2003 - \$Nil) to a director of the Company which have been capitalized to deferred exploration costs.
- f) Recorded stock-based compensation of \$633,750 (2003 - \$Nil) for options granted to directors and officers of the Company.

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.

**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2004**

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**9. RELATED PARTY TRANSACTIONS (cont'd...)**

The amounts advanced to related parties of \$140,010 (2003 - \$Nil) are to companies controlled by a director of which \$126,389 (2003 - \$Nil) is for exploration advances. The amount due to related party of \$Nil (2003 - \$50,000) is payable to a company controlled by a director. The amounts are unsecured, bear no interest, and have no fixed terms of repayment, and accordingly the fair value cannot be determined.

**10. OBLIGATION UNDER CAPITAL LEASE**

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	2004	2003
Obligation under capital lease with imputed interest at 7.85 % per annum over a term expiring December 15, 2006, secured by a leased vehicle.	\$ 66,103	\$ -
Obligation under capital lease with imputed interest at 8.60% per annum over a term expiring August 1, 2005, secured by a leased vehicle.	<u>-</u>	<u>27,283</u>
	66,103	27,283
Less: current portion	<u>(4,573)</u>	<u>(3,664)</u>
Balance of obligation	<u>\$ 61,530</u>	<u>\$ 23,619</u>

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

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

**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2004**

**11. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Capital Stock		Contributed Surplus
	Number of Shares	Amount	
Authorized			
99,711,539 common shares without par value			
Issued			
Balance as at January 31, 2002	21,955,727	\$ 7,735,692	\$ -
Repayment of loan (Note 8)	<u>875,000</u>	<u>350,000</u>	<u>-</u>
Balance as at January 31, 2003	22,830,727	8,085,692	-
Private placements	10,666,666	3,200,000	-
Finders' fees – private placements	-	(175,354)	75,221
Exercise of warrants	2,100,000	569,000	-
Exercise of options	2,837,500	569,375	-
Stock-based compensation	-	-	901,666
Mineral property	3,000,000	900,000	-
Share issue costs	<u>-</u>	<u>(65,460)</u>	<u>-</u>
Balance as at January 31, 2004	41,434,893	\$ 13,083,253	\$ 976,887

On September 16, 2003, the Company issued 10,666,666 units at a price of \$0.30 per unit for proceeds of \$3,200,000 in a non-brokered private placement. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable into an additional common share at a price of \$0.40 until September 16, 2004, and at a price of \$0.50 until September 16, 2005. Finders' fees included the Company paying \$100,133 and issuing 522,840 share purchase warrants. Each share purchase warrant is exercisable into an additional common share at a price of \$0.40 until September 16, 2004, and at a price of \$0.50 until September 16, 2005. The finders' warrants have been recorded at a fair value of \$75,221, which is included in contributed surplus.

**12. 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.

**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2004**

**12. STOCK OPTIONS AND WARRANTS (cont'd...)**

At January 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	0.40 then at 0.50	September 16, 2004 September 16, 2005

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding as at January 31, 2002	2,800,000	\$ 0.20
Granted	100,000	0.25
Expired /cancelled	-	-
Outstanding as at January 31, 2003	2,900,000	0.20
Granted	6,010,000	0.40
Expired/cancelled	(62,500)	0.25
Exercised	(2,837,500)	0.20
Outstanding as at January 31, 2004	6,010,000	\$ 0.40
Exercisable as at January 31, 2004	6,010,000	\$ 0.40

**13. STOCK-BASED COMPENSATION**

The Company granted 6,010,000 (2003 – 100,000) stock options during the current year resulting in stock-based compensation expense using the Black-Scholes option-pricing model of \$901,666 (2003 - \$Nil). This amount was also recorded as contributed surplus on the balance sheet. The weighted average fair value of the stock options granted during the year ended January 31, 2004 was \$0.15 (2003 - \$Nil) per share.

During the year ended January 31, 2003, the Company accounted for the granting of stock options to employees and directors using the intrinsic value-based method. Had the Company used the fair value-based method to account for the granting of stock options, compensation expense of \$11,677 would have been recorded in the statement of operations. Loss for the year would have been \$5,792,786 and basic and diluted loss per common share would have been \$0.26.

**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2004**

**13. STOCK-BASED COMPENSATION (cont'd...)**

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2004	2003
Risk-free interest rate	2.96%	3.39%
Expected life of options	2 years	2 years
Annualized volatility	67.15%	132.56%
Dividend rate	0.00%	0.00%

**14. 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 management 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 contracts can be terminated by the Company by providing 30 days written notice.

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

	2004	2003
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 2,033	\$ 1,805

Significant non-cash transactions for the year ended January 31, 2004 consisted of:

- a) The Company issuing 3,000,000 common shares pursuant to a mineral property acquisition (Note 6).  
b) The Company issuing 50,000 common shares for subscriptions receivable of \$15,000.

**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2004**

**15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)**

- c) The Company leasing a vehicle with a value of \$96,020 (2003 - \$39,000) and assuming an obligation under capital lease of \$66,103 (2003 - \$29,000).
- d) The Company disposing of a leased vehicle with a net book value of \$30,298 (2003 - \$13,254) and a related obligation under a capital lease of \$22,148 (2003 - \$9,479).

The significant non-cash transaction for the year ended January 31, 2003 consisted of the Company issuing 875,000 common shares as repayment of a loan payable of \$350,000.

**16. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2004	2003
Loss before income taxes (recovery)	\$ (1,341,717)	\$ (5,781,109)
Current income taxes (recovery)	\$ (477,651)	\$ (2,191,041)
Non-deductible expenses	3,098	6,747
Stock-based compensation	320,993	-
Write-down of mineral property and deferred exploration costs	-	2,148,763
Unrecognized benefits of non-capital losses	153,560	35,531
Total income taxes (recovery)	\$ -	\$ -

Details of the Company's future income tax assets are as follows:

	2004	2003
Future income tax assets:		
Mineral properties and deferred exploration costs	\$ 2,123,000	\$ 2,162,000
Non-capital loss carryforwards	435,000	306,000
	2,558,000	2,468,000
Valuation allowance	(2,558,000)	(2,468,000)
Net future income tax assets	\$ -	\$ -

**SENNEN RESOURCES LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JANUARY 31, 2004

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**16. INCOME TAXES (cont'd...)**

The Company has non-capital losses carried forward of approximately \$1,295,000 which expire through to 2011. They may be utilized to offset future taxable income. Subject to certain restrictions, the Company also has resource expenditures of approximately \$8,151,000 available to reduce taxable income in future years. Future tax benefits, which may arise as a result of these losses and resource expenditures have not been recognized in these financial statements and have been offset by a valuation allowance.

**17. 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	2003
Australia	\$ 35,091	\$ 34,417
Canada	2,845,342	48,481
Guyana	<u>1,831,712</u>	<u>-</u>
	<u>\$ 4,712,145</u>	<u>\$ 82,898</u>

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**18. SUBSEQUENT EVENT**

Subsequent to January 31, 2004, subscriptions receivable of \$15,000 were cancelled resulting in 50,000 common shares being returned to treasury.