

**TAN RANGE
EXPLORATION
CORPORATION**



TAN RANGE EXPLORATION CORPORATION

**Consolidated Financial Statements
For the Three and Nine Months Ended May 31, 2004 and 2003
(in Canadian Dollars)**

**Unaudited
Prepared by Management
Vancouver, B.C.**



Tan Range Exploration Corporation
 Consolidated Balance Sheets
 As at May 31, 2004 and August 31, 2003
 (in Canadian Dollars)

| ASSETS | May 31, 2004 | August 31, 2003 |
|---|---------------------|------------------------|
| Current Assets | \$ | \$ |
| Cash and Short Term Deposits | 2,348,489 | 1,550,072 |
| Short Term Investments | 424,034 | 926,192 |
| Accounts and Other Receivables | 35,550 | 44,288 |
| Prepaid Expenses | <u>61,800</u> | <u>31,360</u> |
| | 2,869,873 | 2,551,912 |
| Mineral Properties and Deferred Exploration Costs (note 3) | 19,166,151 | 18,672,446 |
| Capital Assets | <u>191,649</u> | <u>200,207</u> |
| | <u>22,227,673</u> | <u>21,424,565</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable and Accrued Liabilities | 221,685 | 459,000 |
| Future Income taxes | 647,565 | 647,565 |
| SHAREHOLDERS' EQUITY | | |
| Share Capital (note 4) | 41,885,271 | 39,423,971 |
| Share Subscriptions Received | - | 125,000 |
| Deficit | <u>(20,526,848)</u> | <u>(19,230,971)</u> |
| | <u>21,358,423</u> | <u>20,318,000</u> |
| | <u>22,227,673</u> | <u>21,424,565</u> |

"James E. Sinclair", Director

"Victoria Luis", Director

See Accompanying Notes to the Unaudited Consolidated Financial Statements

Unaudited – Prepared by Management



Tan Range Exploration Corporation

Consolidated Statements of Operations and Deficit

For the three and nine months ended May 31, 2004 and 2003

(in Canadian Dollars)

| | Three months ended | | Nine months ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | May 31 | | May 31 | |
| | 2004 | 2003 | 2004 | 2003 |
| | \$ | \$ | \$ | \$ |
| EXPENSES | | | | |
| Amortization | 14,634 | 16,293 | 38,173 | 45,340 |
| Annual general meeting | 678 | 812 | 21,894 | 11,889 |
| Consulting and management fees | 35,748 | 21,766 | 101,509 | 132,024 |
| Insurance | 16,490 | 16,037 | 48,643 | 33,320 |
| Memberships, courses and publications | 2,322 | (6,119) | 2,322 | 15,274 |
| New property investigation costs | 5,673 | 180,812 | 380,219 | 222,939 |
| Office and administration | 11,155 | 34,020 | 57,419 | 71,525 |
| Office rentals | 8,081 | 33,133 | 62,394 | 110,080 |
| Press releases | 13,186 | 9,567 | 22,077 | 14,540 |
| Printing and mailing | 193 | 3,191 | 16,542 | 11,133 |
| Professional fees | 92,303 | 51,175 | 146,303 | 151,822 |
| Promotions and shareholder relations | 755 | 17,154 | 6,118 | 81,799 |
| Salaries and benefits | 164,572 | 178,009 | 406,163 | 337,001 |
| Sustainable development | - | 18,879 | - | 18,879 |
| Telephone and fax | 7,240 | 9,387 | 20,688 | 31,319 |
| Transfer agent and listing | 17,228 | 51,567 | 58,768 | 77,554 |
| Travel and accommodation | 20,598 | 28,257 | 33,339 | 68,337 |
| Training | (210) | (360) | 11,822 | 1,827 |
| Vehicles | - | - | - | - |
| | <u>410,646</u> | <u>663,580</u> | <u>1,434,393</u> | <u>1,436,602</u> |
| LESS: EXPENSE RECOVERIES | <u>-</u> | <u>-</u> | <u>(43,809)</u> | <u>-</u> |
| | 410,646 | 663,580 | 1,390,584 | 1,436,602 |
| OTHER (INCOME) EXPENSE | | | | |
| (Interest earned), net of expense | (10,185) | (17,828) | (23,146) | (29,930) |
| Sale of assets (Gain) Loss | 12,692 | - | 12,692 | - |
| Short term investments (Gain) Loss | 10,077 | - | (3,417) | - |
| Foreign Exchange (Gain) Loss | (43,634) | 34,478 | (80,836) | 76,418 |
| Write-off of mineral properties and deferred exploration and development costs | - | 47,137 | - | 47,137 |
| | <u>(31,050)</u> | <u>63,787</u> | <u>(94,707)</u> | <u>93,625</u> |
| NET LOSS FOR THE PERIOD | 379,596 | 727,367 | 1,295,877 | 1,530,227 |
| DEFICIT, BEGINNING OF PERIOD | <u>20,147,252</u> | <u>17,019,053</u> | <u>19,230,971</u> | <u>16,216,193</u> |
| DEFICIT, END OF PERIOD | 20,526,848 | 17,746,420 | 20,526,848 | 17,746,420 |
| Basic and diluted loss per share | .005 | .009 | .016 | .020 |

See Accompanying Notes to the Unaudited Consolidated Financial Statements
Unaudited – Prepared by Management



Tan Range Exploration Corporation
 Consolidated Statement of Cash Flows
 For the three and nine months ended May 31, 2004 and 2003
 (in Canadian Dollars)

| | Three months ended May 31 | | Nine months ended May 31 | |
|--|--------------------------------------|------------------|-------------------------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | \$ | \$ | \$ | \$ |
| Cash provided from (used in): | | | | |
| Operating activities: | | | | |
| Loss for the period | (379,596) | (727,367) | (1,295,877) | (1,530,227) |
| Items not affecting cash: | | | | |
| Depreciation | 14,634 | 16,293 | 38,173 | 45,340 |
| Write-off of mineral properties and deferred exploration and development costs | <u>-</u> | <u>47,137</u> | <u>-</u> | <u>47,137</u> |
| | (364,962) | (663,937) | (1,257,704) | (1,437,750) |
| Net change in non-cash working capital items | <u>(36,558)</u> | <u>(80,708)</u> | <u>(259,017)</u> | <u>(117,665)</u> |
| | (401,520) | (744,645) | (1,516,721) | (1,555,415) |
| Investing activities: | | | | |
| Mineral properties and deferred exploration and development costs | (382,695) | (234,645) | (493,705) | (845,480) |
| Short Term Investments | 501,067 | - | 502,158 | - |
| Capital Asset (additions) disposals, net | <u>13,702</u> | <u>(21,670)</u> | <u>(29,615)</u> | <u>(28,656)</u> |
| | 132,074 | (256,315) | (21,162) | (874,136) |
| Financing Activities | | | | |
| Share capital issued | <u>375,000</u> | <u>446,500</u> | <u>2,336,300</u> | <u>2,940,865</u> |
| NET INCREASE (DECREASE) IN CASH | 105,554 | (554,460) | 798,417 | 511,314 |
| CASH, BEGINNING OF PERIOD | <u>2,242,935</u> | <u>3,093,046</u> | <u>1,550,072</u> | <u>2,027,272</u> |
| CASH, END OF PERIOD | 2,348,489 | 2,538,586 | 2,348,489 | 2,538,586 |

See Accompanying Notes to the Unaudited Consolidated Financial Statements

Unaudited – Prepared by Management



Tan Range Exploration Corporation

Notes to the Unaudited Consolidated Financial Statements
For the three and nine months ended May 31, 2004 and 2003
(in Canadian Dollars)

1. Nature of operations

Tan Range Exploration Corporation (the “Company”) is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for mineral properties and related deferred costs are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to explore and develop, and upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown as deferred expenditures and property acquisition costs represent net costs to date, less amounts recovered, amortized and/or written off, and do not necessarily represent present or future values.

2. Significant accounting policies

These interim consolidated financial statements of the Company have been prepared by management, and have not been audited or reviewed by an independent public accountant. These interim consolidated financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with the Company’s most recent annual consolidated financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application as the Company’s audited annual consolidated financial statements as at and for the year ended August 31, 2003.

These interim consolidated financial statements include the accounts of the Company and its subsidiaries.

Unaudited – Prepared by Management



Tan Range Exploration Corporation

Notes to the Unaudited Consolidated Financial Statements

For the Nine Months Ended May 31, 2004 and Year Ended August 31, 2003

(in Canadian Dollars)

3. Mineral Properties and Deferred Exploration Costs

The continuity of expenditures on mineral properties is as follows:

| | Itetemia | Luhala | Kigosi | Lunguya | Kanagele | Tulawaka | Ushirombo | Mbogwe | Biharamulu | Other | Total |
|---------------------------------------|----------------|----------------|-----------------|----------------|---------------|-----------------|-----------------|---------------|-----------------|----------------|------------------|
| Balance, August 31, 2002 | \$7,288,200 | 2,498,293 | \$1,072,516 | \$2,177,768 | \$785,565 | \$1,424,545 | \$1,330,002 | \$984,190 | \$679,869 | \$311,607 | \$18,552,555 |
| Exploration expenditures: | | | | | | | | | | | |
| Camp, field supplies and travel | 2,512 | 3,747 | 1,223 | 15,687 | 218 | 42 | 24,275 | 2,770 | 1,659 | 6,172 | 58,305 |
| Exploration and field overhead | (143) | 33,543 | 6,240 | 182,437 | 52,319 | 185,825 | 66,311 | 36,418 | 17,743 | 149,041 | 729,734 |
| Geological consulting and field wages | 22 | 314 | 6,510 | 47,786 | 1,234 | - | 5,376 | 130 | 278 | 397 | 62,047 |
| Geophysical and geochemical | 13,910 | 2,814 | 3,298 | 80,985 | 8,465 | - | 24,619 | 16,421 | 1,896 | 34,623 | 187,031 |
| Property acquisition costs | - | 40,519 | 36,183 | - | 6,900 | - | - | - | 12,501 | 57,850 | 153,953 |
| Parts and equipment | - | - | - | 1,454 | - | - | 1,875 | - | - | 2,937 | 6,266 |
| Trenching and drilling | - | - | - | 122,563 | - | - | - | 16,393 | - | - | 138,956 |
| Option payments received | (11,410) | - | - | - | - | (56,974) | (44,419) | (11,410) | (60,752) | - | (184,965) |
| Reclassifications | - | - | 371,411 | - | - | 4,270 | (371,411) | - | - | (4,270) | 0 |
| | <u>4,891</u> | <u>80,937</u> | <u>53,454</u> | <u>450,912</u> | <u>69,136</u> | <u>128,893</u> | <u>78,037</u> | <u>60,722</u> | <u>(26,675)</u> | <u>251,020</u> | <u>1,151,327</u> |
| | 7,293,091 | 2,579,230 | 1,125,970 | 2,628,680 | 854,701 | 1,553,438 | 1,408,039 | 1,044,912 | 653,194 | 562,627 | 19,703,882 |
| Write-offs | (729,309) | - | - | (35,342) | - | 0 | (106,386) | 0 | (10,744) | (149,655) | (1,031,436) |
| Balance, August 31, 2003 | 6,563,782 | 2,579,230 | 1,125,970 | 2,593,338 | 854,701 | 1,553,438 | 1,301,653 | 1,044,912 | 642,450 | 412,972 | 18,672,446 |
| Exploration expenditures: | | | | | | | | | | | |
| Camp, field supplies and travel | - | 10,324 | - | 1,501 | - | - | 1,103 | - | 832 | 17,913 | 31,673 |
| Exploration and field overhead | 4,502 | 194,061 | 36,651 | 14,499 | 4,627 | 17,332 | 46,252 | 20,171 | 41,286 | 233,046 | 612,427 |
| Geological consulting and field wages | - | 1,280 | - | - | - | - | - | - | - | (21,113) | (19,833) |
| Geophysical and geochemical | - | 3,454 | 3,744 | 3,547 | 5,300 | 903 | 12,666 | 25,487 | 3,586 | 44,872 | 103,559 |
| Property acquisition costs | 4,857 | - | - | - | 13,567 | - | - | - | 275 | 78,735 | 97,434 |
| Parts and equipment | - | 109 | - | - | - | - | - | - | - | 1,767 | 1,876 |
| Trenching and drilling | - | - | - | - | - | - | - | - | - | - | 0 |
| Option payments received | (17,575) | - | (59,076) | - | - | (89,327) | (123,831) | (17,575) | (26,047) | - | (333,431) |
| Reclassifications | - | - | 288,056 | - | - | - | (288,056) | - | - | - | - |
| | <u>(8,216)</u> | <u>209,228</u> | <u>(18,681)</u> | <u>19,547</u> | <u>23,494</u> | <u>(71,092)</u> | <u>(63,810)</u> | <u>28,083</u> | <u>19,932</u> | <u>355,220</u> | <u>493,705</u> |
| | 6,555,566 | 2,788,458 | 1,107,289 | 2,612,885 | 878,195 | 1,482,346 | 1,237,843 | 1,072,995 | 662,382 | 768,192 | 19,166,151 |
| Write-offs | - | - | - | - | - | - | - | - | - | - | - |
| Balance, May 31, 2004 | \$6,555,566 | \$2,788,458 | \$1,107,289 | \$2,612,885 | \$878,195 | \$1,482,346 | \$1,237,843 | \$1,072,995 | \$662,382 | \$768,192 | \$19,166,151 |

Unaudited - Prepared by Management



Tan Range Exploration Corporation

Notes to the Unaudited Consolidated Financial Statements

For the three and nine months ended May 31, 2004 and 2003

(in Canadian Dollars)

3. Mineral Properties and Deferred Exploration Costs (continued)

Acquisition costs and exploration and development costs relating to mineral properties are deferred until the properties are brought into production, at which time they are amortized on a unit-of-production basis, or until the properties are abandoned or sold or management determines that the mineral property is not economically viable, at which time the deferred costs are written off.

4. Share Capital

| | <u>Number</u> | <u>Amount (\$)</u> |
|---|-------------------|--------------------|
| Balance at August 31, 2003 | 80,191,542 | 39,423,971 |
| Issued for cash | 1,324,701 | 2,125,000 |
| Issued on exercise of stock options, for cash | <u>710,000</u> | <u>336,300</u> |
| Balance at May 31, 2004 | <u>82,226,243</u> | <u>41,885,271</u> |

5. Options Outstanding

| <u>Number of Shares</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|-------------------------|-----------------------|--------------------|
| 50,000 | \$0.50 | January 19, 2005 |
| 35,000 | \$0.51 | August 7, 2006 |
| 400,000 | \$0.79 | May 3, 2007 |
| 10,000 | \$0.96 | May 23, 2007 |
| <u>50,000</u> | \$0.83 | June 20, 2007 |
| 545,000 | | |

| | <u>Number</u> | <u>Exercise Price</u> |
|----------------------------|----------------|-----------------------|
| Balance at August 31, 2003 | 1,255,000 | \$0.40 to \$0.96 |
| Exercised | <u>710,000</u> | \$0.40 to \$0.51 |
| Balance at May 31, 2004 | <u>545,000</u> | \$0.50 to \$0.96 |

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