

URANERZ ENERGY CORP.  
Form 10QSB  
August 11, 2005

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-QSB**

Quarterly Report Pursuant To Section 13 Or 15(D) Of The Securities Exchange Act Of 1934

For the quarterly period ended **June 30, 2005**

Transition Report Under Section 13 Or 15(D) Of The Securities Exchange Act Of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER **000-50180**

**URANERZ ENERGY CORPORATION**

**(formerly Carleton Ventures Corp.)**

(Name of small business issuer in its charter)

**NEVADA**

(State or other jurisdiction of incorporation or organization)

**98-0365605**

(I.R.S. Employer Identification)

**Suite 306, 1140 Homer Street, Vancouver, BC**

(Address of principal executive offices)

**V6B 2X6**

(Zip Code)

**604-689-1659**

Issuer's telephone number

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes**  **No**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

**12,600,000 Shares of Common Stock as of July 26, 2005**

Transitional Small Business Disclosure Format (check one): **Yes**  **No**

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**PART I**

**ITEM 1. Financial Statements**

Our unaudited financial statements for the three months ended June 30, 2005, as set forth below, are included with this Quarterly Report on Form 10-QSB:

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Uranerz Energy Corporation  
(formerly Carleton Ventures Corp.)  
(An Exploration Stage Company)

June 30, 2005

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Uranerz Energy Corporation  
(formerly Carleton Ventures Corp.)  
(An Exploration Stage Company)  
Balance Sheets  
(Expressed in US dollars)

	June 30, 2005 \$ (unaudited)
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	347,190
Prepaid expenses	9,914
Due from related party (Note 5)	35,985
<b>Total Current Assets</b>	<b>393,089</b>
Property and Equipment (Note 3)	6,672
<b>Total Assets</b>	<b>399,761</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
<b>Current Liabilities</b>	
Accounts payable	4,056
Accrued liabilities	3,250
Due to related parties (Note 5)	73,620
<b>Total Liabilities</b>	<b>80,926</b>
<b>Commitments and Contingencies (Notes 1 and 4)</b>	
<b>Stockholders' Equity</b>	
Preferred Stock, 10,000,000 shares authorized, \$0.001 par value Nil shares issued and outstanding	—
Common Stock, 100,000,000 shares authorized, \$0.001 par value 12,600,000 shares issued and outstanding	12,600
Common Stock Subscribed (Note 6)	—
Additional Paid in Capital	773,114
Deficit Accumulated During the Exploration Stage	(466,879)
<b>Total Stockholders' Equity</b>	<b>310,835</b>

Total Liabilities and Stockholders' Equity	399,761
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(The accompanying notes are an integral part of these financial statements)

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Uranerz Energy Corporation  
(formerly Carleton Ventures Corp.)  
(An Exploration Stage Company)  
Statements of Operations  
(Expressed in US dollars)  
(unaudited)

	Accumulated From May 26, 1999 (Date of Inception) to June 30, 2005 \$	Three Months Ended June 30, 2005		Six Months Ended June 30, 2005	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenue	-	-	-	-	-
Expenses					
Depreciation	414	355	-	414	-
General and administrative (Note 5)	56,711	46,199	461	49,740	1,258
Mineral property costs	202,222	162,435	-	162,435	-
Office facilities and services (Note 5(a))	53,000	3,000	3,000	6,000	6,000
Professional fees (Note 5)	154,532	96,025	788	99,984	2,649
	466,879	308,014	4,249	318,573	9,907
Net Loss For the Period	(466,879)	(308,014)	(4,249)	(318,573)	(9,907)
Net Loss Per Share – Basic and Diluted		(0.03)	-	(0.04)	-
Weighted Average Shares Outstanding		11,453,000	5,640,500	8,563,000	5,640,500

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(The accompanying notes are an integral part of these financial statements)

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Uranerz Energy Corporation  
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 Statements of Cash Flows  
 (Expressed in US dollars)  
 (unaudited)

	Six Months Ended June 30,	
	2005 \$	2004 \$
<b>Cash Flows Used In Operating Activities</b>		
Net loss for the period	(318,573)	(9,907)
Adjustment to reconcile net loss to cash used in operating activities:		
Depreciation	414	–
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	(47,095)	20,003
Due to related parties	66,870	–
Prepaid expenses	(9,914)	–
<b>Net Cash Used in Operating Activities</b>	<b>(308,298)</b>	<b>10,096</b>
<b>Cash Flows Used In Investing Activities</b>		
Advances to related parties	(39,935)	–
Purchase of property and equipment	(7,086)	–
<b>Net Cash Flows Used In Investing Activities</b>	<b>(47,021)</b>	<b>–</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of common stock	695,039	–
<b>Net Cash Flows Provided By Financing Activities</b>	<b>695,039</b>	<b>–</b>
<b>Increase In Cash</b>	<b>339,720</b>	<b>10,096</b>
Cash - Beginning of Period	7,470	47
Cash - End of Period	347,190	10,143
Non-cash Investing and Financing Activities	–	–
<b>Supplemental Disclosures</b>		
Interest paid	–	–

Income taxes paid

-

-

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(The accompanying notes are an integral part of these financial statements)

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Uranerz Energy Corporation  
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(An Exploration Stage Company)  
Notes to the Financial Statements  
June 30, 2005  
(Expressed in US dollars)

1. Exploration Stage Company

Uranerz Energy Corporation (the "Company") was incorporated in the State of Nevada, U.S.A. on May 26, 1999 under the name "Carleton Ventures Corp. Effective July 5, 2005 the Company changed its name to Uranerz Energy Corporation. The Company has acquired mineral property interests in Canada, Mongolia and United States.

The Company is an Exploration Stage Company, as defined by Statement of Financial Accounting Standard ("SFAS") No.7 "*Accounting and Reporting by Development Stage Enterprises*". The Company's principal business is the acquisition and exploration of uranium and mineral resources. The Company has not presently determined whether its properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has never generated revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploitation of economically recoverable reserves in its resource properties, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations. As at June 30, 2005, the Company has working capital of \$312,163, and has accumulated losses of \$466,879 since inception. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. These factors raise substantial doubt regarding the Company's ability to continue as a going concern.

The Board of Directors of the Company approved a private placement offering consisting of up to 8,000,000 shares of common stock at \$0.10 per share in April 2005. On April 15, 2005, the Company issued 6,959,500 shares of common stock for proceeds of \$695,039, net of offering costs of \$911.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company's fiscal year-end is December 31.

b) Use of Estimates

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

those estimates.

c) Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, "*Earnings per Share*". SFAS No. 128 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive.

d) Comprehensive Loss

SFAS No. 130, "*Reporting Comprehensive Income*," establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at June 30, 2005 and 2004, the Company has no items that represent a comprehensive loss and, therefore, has not included a schedule of comprehensive loss in the financial statements.

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Uranerz Energy Corporation  
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(An Exploration Stage Company)  
Notes to the Financial Statements  
June 30, 2005  
(Expressed in US dollars)

2. Summary of Significant Accounting Policies (continued)

e) Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

f) Property and Equipment

Property and equipment consists of computer hardware, is recorded at cost and is amortized on a straight line basis over five years.

g) Mineral Property Costs

The Company has been in the exploration stage since its formation on May 26, 1999 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties. Mineral property acquisition and exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

h) Financial Instruments

The fair values of cash, accounts payable, accrued liabilities and due from/to related party approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

i) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted SFAS No. 109 "*Accounting for Income Taxes*" as of its inception. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. Potential benefit of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

j) Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. Foreign currency transactions are primarily undertaken in Canadian dollars and are translated into United States dollars using exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at each balance sheet date at the exchange rate prevailing at the balance sheet date. Foreign currency exchange gains and losses are charged to operations. The Company has not, to the

date of these financials statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

k) Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 153, "*Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29*". The guidance in APB Opinion No. 29, "*Accounting for Nonmonetary Transactions*", is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

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Uranerz Energy Corporation  
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(An Exploration Stage Company)  
Notes to the Financial Statements  
June 30, 2005  
(Expressed in US dollars)

2. Summary of Significant Accounting Policies (continued)

k) Recent Accounting Pronouncements (continued)

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 123R, "Share Based Payment". SFAS 123R is a revision of SFAS No. 123 "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and its related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award – the requisite service period (usually the vesting period). SFAS 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Public entities that file as small business issuers will be required to apply SFAS 123R in the first interim or annual reporting period that begins after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107 ("SAB 107") to give guidance on the implementation of SFAS 123R. The Company will consider SAB 107 during implementation of SFAS 123R.

The FASB has also issued SFAS No. 151 and 152, but they will not have relationship to the operations of the Company. Therefore a description and its impact for each on the Company's operations and financial position have not been disclosed.

l) 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 adjustments, which include only 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. Property and Equipment

	June 30,
	2005
Accumulated	Net Carrying

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	Cost \$	Amortization \$	Value \$ (unaudited)
Computer Hardware	7,086	414	6,672

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Notes to the Financial Statements  
June 30, 2005  
(Expressed in US dollars)

4. Mineral Properties

- (a) The Company entered into an Agreement dated April 26, 2005 to acquire a 100% interest in two mineral claims located in Cochrane River, Saskatchewan, in consideration for a cash payment of \$40,757 and a 2% royalty on all ores produced by the claims. This Agreement was with a company controlled by a director of the Company.
- (b) In May 2005 the President of the Company entered into an Agreement to acquire a 100% interest to a mineral license in Khavtsal, Mongolia, in consideration for a cash payment of \$105,945. The President of the Company intends to transfer title to the property to the Company upon the formation of a wholly owned subsidiary to be incorporated in Mongolia.
- (c) The Company has made applications for mineral leases in the State of Wyoming on 17 state-owned sections of land, for an aggregate cost of \$11,530. The applications were made in the name of the President or Vice- President of the Company. Once the applications have been approved, title to the leases will be transferred to the Company.

5. Related Party Balances/Transactions

- (a) During the three month period ended June 30, 2005, the Company incurred \$3,000 (2004 - \$3,000) for office facilities and services and \$395 for general and administrative expenses to a company related by common directors. At June 30, 2005, \$55,857 is owing to this company, which is unsecured, non-interest bearing, and has no specific terms of repayment.
- (b) During the three month period ended June 30, 2005, the Company incurred \$17,000 (2004 - \$nil) for consulting services, \$5,645 towards mineral property costs, and \$3,768 for general and administrative expenses to a director. At June 30, 2005, \$16,607 is owing to this director, which is unsecured, non-interest bearing, and has no specific terms of repayment.
- (c) During the three month period ended June 30, 2005, the Company incurred \$24,000 (2004 - \$nil) for consulting services, \$6,590 towards mineral property costs, \$18,021 for general and administrative, and \$2,000 for legal and accounting expenses to the President and a company controlled by the President.
- (d) During the three month period ended June 30, 2005, the Company incurred \$3,096 of general and administrative expenses to a director. At June 30, 2005, \$1,156 is owing to this director or a company controlled by this director, which is unsecured, non-interest bearing, and has no specific terms of repayment.
- (e) During the three month period ended June 30, 2005, the President was advanced \$15,000 towards reimbursement of travel costs to be incurred and a further \$24,935 towards mineral property costs to be incurred in Mongolia. At June 30, 2005, \$3,950 is owing to the President, which is unsecured, non-interest bearing, and has no specific terms of repayment.
- (f)

The mineral property referred to in Note 4(a) was acquired from a company controlled by a Director of the Company. The mineral property referred to in Note 4(b) was acquired and is held in the name of the President of the Company.

6. Common Shares

On April 15, 2005, the Company issued 6,959,500 shares of common stock for proceeds of \$695,039, net of offering costs of \$911.

7. Subsequent Event

Effective July 5, 2005 the Company changed its name to Uranerz Energy Corporation.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS**

**FORWARD-LOOKING STATEMENTS**

The information in this Annual Report on Form 10-KSB contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding the market price of metals, commodities and precious metals, availability of funds, government regulations, common share prices, operating costs, capital costs, outcomes of ore reserve development and other factors. Forward-looking statements are made, without limitation, in relation to operating plans, property exploration and development, availability of funds, environmental reclamation, operating costs and permit acquisition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may”, “will”, “should”, “expect”, “plan”, “intend”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or “continue”, the negative of such terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined below, and, from time to time, in other reports we file with the SEC. These factors may cause our actual results to differ materially from any forward-looking statement. We disclaim any obligation to publicly update these statements, or disclose any difference between our actual results and those reflected in these statements. The information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

**Overview**

We are an exploration stage company engaged in the acquisition, exploration and development of mineral properties. We have an interest in the properties described below. The Company has commenced exploration work on the Burner Hills property in order to ascertain whether the Burner Hill property possesses commercially developable quantities of gold and other precious minerals. There can be no assurance that a commercially viable mineral deposit, or reserve, exists on the Burner Hills property until appropriate exploratory work is done and a comprehensive evaluation based on such work concludes legal and economic feasibility.

We have an interest in the following properties:

Nevada – Burner Hills, Elko County

Saskatchewan – Cochrane River

Mongolia – Khavtsal

Wyoming – Wyoming State leases and staked claims

Our plan of operations is to carry out exploration on our mineral properties. All of our exploration programs are early stage in nature in that their completion will not result in a determination that any of our properties contains commercially exploitable quantities of mineralization. Our exploration programs will be directed by our management. We may engage project geologists or such other contractors as necessary according to the specific exploration program on each property.

The general and administrative fees expenses for the year will consist primarily of professional fees for the audit and legal work relating to our filings throughout the year, as well as transfer agent fees, annual mineral claim fees, salaries and general office expenses.

We had cash in the amount of \$ 347,190 and working capital in the amount of \$312,163 as of June 30, 2005. We anticipate that we will require additional financing in order to pursue our exploration programs beyond the preliminary exploration programs for our mineral properties that are outlined herein.

During the twelve month period following the date of this quarterly report, we anticipate that we will not generate any revenue. Accordingly, we will be required to obtain additional financing in order to continue our plan of operations.

In March 2005, Mr. Glenn Catchpole was appointed to the Board of Directors and has assumed the role of President and Chief Executive Officer.

Mr. Catchpole is a licensed engineer who holds an M.S. in civil engineering from Colorado State University. He has been active in the uranium mining industry since 1978, holding various positions including mining engineer, project manager, general manager and managing director of several uranium mining operations.

In 1988 Mr. Catchpole joined Uranerz U.S.A., Inc. and Uranerz Exploration and Mining Ltd. and became Director of Regulatory Affairs, Environmental Engineering and Solution Mining. Mr. Catchpole's responsibilities included the monitoring and oversight of the environmental and regulatory aspects of two large uranium mines in Canada and the operational aspects of one uranium solution mine in the United States. In 1996 Mr. Catchpole was appointed General Manager and Managing Director of the Inkai mining project located in the Republic of Kazakhstan (Central Asia). In 1998 Cameco Corporation acquired Uranerz U.S.A. Inc., and Mr. Catchpole continued his post with the Inkai project. Mr. Catchpole spent six years taking the Inkai project from acquisition through feasibility study, joint venture formulation, government licensing, environmental permitting, design, construction and first phase start-up.

Following his departure from Cameco in 2002, Mr. Catchpole has been an independent consulting engineer providing project management to the oil and gas, mining, and construction industries. Mr. Catchpole is experienced in all phases of project development including environmental permitting, procurement, scheduling, budgeting, and construction of infrastructure and main facilities. He has served on numerous mineral evaluation and due diligence teams.

Mr. Dennis Higgs resigned as President and CEO but will stay on as a member of the Board of Directors.

In March, 2005 Dr. Gerhard F. Kirchner was also appointed to the Board of Directors of the Company.

Dr. Kirchner, Ph.D., P.Eng., has 40 years of international mine development and management experience including 20 years with Uranerz Exploration and Mining Ltd. He received a multidisciplinary education in mining engineering and economic geology, and a Doctorate in Mining Sciences from the University of Leoben, Austria.

At Uranerz, Dr. Kirchner spent nine years as General Manager and 11 years as Senior Vice

President. He and his team were responsible for the Key Lake uranium discovery, and the engineering and development of projects such as the Midwest uranium deposit, Eagle Point North uranium deposit, Star Lake gold deposit and the Crow Butte ISL uranium deposit.

Previous to his work with Uranerz, Dr. Kirchner spent six years developing and managing the Kamoto Mine in Kolwezi, Zaire; four years consulting on mining and civil engineering projects in several countries including Surinam, Nigeria and Congo, and five years as a mine superintendent and exploration manager in Greenland where he discovered the Molybdenum Porphyry Erzberg. Dr. Kirchner also spend three years as a project engineer on dams in Austria and Japan, and road projects in Saudi Arabia.

In May, 2005 Mr. George Hartman was appointed to the Board of Directors of the Company and assumed the role of Vice-President, Mining. Mr. Hartman has thirty-seven years experience in developing green field projects into mining production companies including both metals and industrial mineral projects. He has an M. S. degree in Mineral Economics (Colorado School of Mines) and a B. S. in Chemical Engineering (University of Denver). Four process patents have been granted in his name. His experience includes thirteen years managing several in-situ leach uranium mines from green field exploration sites through commercial production.

For the past fourteen years Mr. Hartman was General Manager for Fort Cady Minerals Corporation where he had complete responsibility for solution mining and process development, permitting, design, procurement, construction, production and property management. Property management included federal mining claims and private leases for a large deposit of borate mineral. He managed the project from test stage through construction and operation of a demonstration production facility. He was also involved with product marketing.

From 1982 to 1989 Mr. Hartman was General Manager, In Situ Leach Projects, for Uranerz USA. During this period he managed the interests of all in situ uranium projects which Uranerz USA owned including Ruth, Crow Butte, and North Butte. Under his management, Uranerz served as the contract operator for the successful test solution mining of the Christenson Ranch uranium property now owned by Cogema. He was on the Uranerz acquisition team that studied potential uranium and precious and base metal properties in Nebraska, Colorado, Texas, New Mexico, Utah, California and Wyoming.

Prior to joining Uranerz, Mr. Hartman was president of Ogle Petroleum Inc. where he was in overall operating charge of this uranium production company that joint ventured with Duke Power on a commercial solution mine in Wyoming. He was responsible for managing the project from green field exploration through commercial production (shipped filtered yellowcake to the converter). Mr. Hartman personally designed the processing plant facilities.

Previous to his work with Uranerz, Mr. Hartman was the Texas Mines Manager for Wyoming Mineral Corporation (Westinghouse), where he was responsible for the management of two production in situ uranium mines with ion exchange processing plants in Bruni, and Three Rivers, Texas (shipped dried yellow cake to the converter).

Although we are continuing with the exploration of the Burner Hills mineral property we are currently investigating other resource properties including other potential opportunities in uranium. There is no assurance that we will be able to complete an acquisition if a mineral property is targeted.

**PLAN OF OPERATIONS****NEVADA – BURNER HILLS**

The Company has completed Phase I and Phase II of the exploration program on the Burner Hills property. The Company has commenced Phase III of the exploration program which comprises a soil geochemistry orientation survey and an IP geophysical survey. The total Phase III budget is \$13,000. A fill-in soil grid to compliment the soil orientation grid was completed in August of 2003. To date the IP geophysical survey has not been conducted and would cost an additional US\$10,000. Phase IV would be a 600 meter (2000 feet) drilling program that would cost US\$40,000. The total budget for completion of these two phases would be US\$50,000. It is intended that John Rice, consulting geologist will perform the exploration activities on the Burner Hills property as directed by the Board of Directors.

The Company had cash on hand in the amount of \$ 347,190 as of June 30, 2005. In 2004 Senate Capital Group, a private company controlled by Mr. Dennis Higgs, one of our directors, advanced to us \$10,700 to enable us to continue phase three of the exploration program.

Mr. John Rice has requested a quote for the cost and time frame available for the completion of the IP geophysical survey. The Company anticipates completing this survey in the spring or summer of 2005.

The anticipated cost of the Phase Four exploration program is \$40,000. We will determine whether to proceed with Phase IV upon completion of Phase III and review of the results of Phase III. We will assess whether the results of Phase III are sufficiently positive to warrant continuation through Phase IV of the exploration program.

The following table summarizes the costs of proceeding with the geological exploration program recommended by the geological report.

**Proposed Budget – Burner Hills**

PHASE III - GEOPHYSICS and SOIL GRID	
IP Survey	\$10,000.00

Target definition and to explore for structures beneath volcanic rock cover east of the range front.

Phase IV	Drilling	
Preparation	Permitting	\$1,000
	Site Prep and Reclamation	\$1,000
Drilling	(2000 feet @ \$10 per foot)	\$20,000

	Mob/Demob	\$2,000
Assays	(400@ \$15 per sample)	\$6,000
Geologist	(7 days @ \$325 per day)	\$2,275
Reporting		\$1,200
Contingency		\$6,525
	Total Phase IV	\$40,000
	TOTAL PHASE III AND IV	\$50,000

#### SASKATCHEWAN – COCHRANE RIVER

Our Saskatchewan property, called the Cochrane River property consists of two Mineral Prospecting Permits (MPP 1237 and MPP 1238) with a combined total areal extent of 67,480 ha (166,747 acres). The property is located in northern Saskatchewan. Ubex Capital Inc. (“Ubex”) filed an application with Saskatchewan Industry and Resources (“SIR”) to acquire the permits on 3<sup>rd</sup> January, 2005, and certificates confirming title were subsequently issued by SIR on 4<sup>th</sup> March, 2005. The permits are registered in the name of Ubex Capital Inc. with 100% unencumbered ownership.

Permit application fees which were submitted by Ubex, payable to SIR, were as follows:

For each permit, a refundable deposit of \$15,000, and a recording fee of \$0.15 per hectare.

We have entered into a mineral property purchase agreement with Ubex dated April 26<sup>th</sup>, 2005, to acquire an undivided 100% right, title and interest in the two mineral exploration properties. The agreement is subject to Ubex retaining a 2% royalty. Total consideration for this acquisition consists of a cash payment in the amount of CDN \$40,756.95, which is Ubex’s cost of acquisition of the two permits.

Ubex Capital Inc. is 100% owned by Dennis Higgs, a director of the Company. Ubex will retain a royalty of 2% on the property and will split the royalty (1% each) with Darcy Higgs, Dennis Higgs’ brother, who owns 17.1 % of our shares of common stock.

Saskatchewan mineral dispositions including permits are administered by SIR on behalf of the Crown of Canada in accordance with *The Mineral Disposition Regulations, 1986*. The holder of a permit is granted the exclusive right to explore for minerals (though not to extract, recover or produce minerals except for testing and scientific purposes) within the permit outline. A permit is valid for a period of 2 years and may not be renewed. While in compliance with the requirements of the regulations, a permit holder is entitled to convert any portion of a permit to mineral claims which may be held indefinitely. A claim holder may subsequently convert his

claim into a mineral lease which allows for commercial extraction of minerals.

To maintain a mineral prospecting permit in good standing, SIR requires the filing of reports documenting acceptable exploration expenditures of \$1.25 per hectare in the first permit year, and \$4.00 per hectare in the second permit year. Reports and statements of expenditures must be filed not later than 90 days following the permit anniversary dates.

Excess expenditures may be carried over and applied to the following permit year and/or claim year. Annual expenditure requirements to maintain mineral claims in good standing are \$12 per hectare for the first 10 years and \$25 per hectare thereafter. In the case of claims converted from exploration permits, the deemed effective dates are the effective dates of the permits.

After the first permit year, and subject to acceptance of the required filing of exploration expenditures, a permit may be reduced in size to a single block not less than 10,000 ha in size.

The deposit of \$15,000 per permit is refundable to the registered holder after the first or second permit years if acceptable exploration expenditures have been filed. The deposit would normally be rolled over to apply to the second permit year unless the holder elected to surrender the permit after the first year.

### **Obligations in the First and Second Permit Years**

To maintain the permits in good standing up to the first anniversary date (31<sup>st</sup> January, 2006), exploration expenditures of \$1.25 per hectare must be documented and filed by 1<sup>st</sup> May, 2006. Subsequently, to maintain the permits in good standing to the second anniversary date (31<sup>st</sup> January, 2007), further exploration expenditures of \$4.00 per hectare must be documented and filed by 1<sup>st</sup> May, 2007.

### **Location and Access**

The Cochrane River property is a single contiguous block of irregular outline, extending for approximately 62 km in a northeast-southwest direction and approximately 15 km in a northwest-southeast direction. The centre of the property is approximately 102° 40' W, 58° 45' N. The property occupies portions of NTS map sheets 64 L/9, 10, 15 and 16.

The property extends to the northeast of the northern portion of Wollaston Lake. The closest community is the Village of Wollaston Lake which is located 50 km to the south. This community is served by a year-round scheduled air link to the cities of Saskatoon and Prince Albert in central Saskatchewan. A winter road (during January, February and March) links the Wollaston Lake community with Provincial Highway 905 (and the provincial road network) on the west side of Wollaston Lake.

There is presently no road access to the Cochrane River property. Numerous lakes within the property can be accessed by float- and ski-equipped light aircraft which are available for charter at Points North Landing (75 km to the southwest) and at the Town of La Ronge (400 km to the south-southwest).

### **Geology of the Cochrane River Property**

The property is underlain by highly deformed Paleoproterozoic Wollaston Group metasediments

and Archean age granites which form part of a 60 km wide, northeast trending fold-thrust belt known as the Wollaston Domain. The Cochrane River property is located within the western portion of the Wollaston Domain where the metasediments contain abundant graphitic horizons.

The Athabasca Basin, which extends for some 425 km east-west x 220 km north-south, hosts several world class uranium deposits (McArthur River, Cigar Lake, Key Lake, and others). These deposits occur at and around the contact between western Wollaston Group metasediments and overlying Athabasca Group sandstone units and are generally termed unconformity-type deposits. Although much of the uranium ore is generally hosted by the overlying Athabasca Group sandstones, significant uranium mineralization commonly extends vertically beneath into the Wollaston Group rocks. This is particularly evident at the McArthur River deposit, where the majority of the uranium ore and the highest grades of mineralization occur in the underlying basement rocks.

The Athabasca Group sandstone rocks are approximately 1.7 billion years in age, and there is evidence that these rocks were once thicker (by probably 2 km or more) and much more extensive in area. The Cochrane River property was no doubt overlain by Athabasca Group sandstones for a significant portion of its geological history. Unconformity-type uranium deposits could have formed within the property at that time. Although now eroded to below the level of Athabasca Group coverage, any underlying basement-hosted or root zones of mineralization should be preserved. These are the targets of the present exploration program at the Cochrane River property.

Faults, particularly the common northeast-oriented strike slip faults of this region, tend to be localized within the soft, graphitic horizons of the Wollaston Group sediments, particularly where adjacent to relatively rigid basement units such as Archean granites. Fault movements, particularly strike-slip movements, enhance the electrical conductivity of graphitic horizons by aligning the graphite grains and promoting electrical continuity. Reactivated basement faults also provide enhanced fluid permeability in the basement which facilitates fluid flow and mixing which are thought to be key components in the formation of the uranium deposits of the Athabasca Basin region. Thus, faults and particularly graphitic conductors are commonly sought as exploration targets for uranium mineralization. Graphitic conductor horizons which are in close proximity to Archean granite bodies are thought to be particularly favorable.

#### **Mining Activities and Equipment on the Cochrane River Property**

There has been no mining activity within the property. There is no mining equipment on site.

#### **Status of Exploration at the Cochrane River Property**

No exploration work has been conducted by us on the property. No mineralized material is known to exist.

#### **Prior Exploration Work at the Cochrane River Property**

There is no record of prior exploration work on the property.

#### **Geological Reports on the Cochrane River Property**

We do not know the geology of the property. We decided to conduct exploration activities on

the property because uranium was discovered nearby.

### Proposed Exploration Program

Phase	Work Description
Initiation	Compilation of results of prior work and analysis
Year 1 Reconnaissance Exploration	Structural/lineament analysis and interpretation
Year 1 Reconnaissance Exploration	Airborne EM survey
Year 1 Reconnaissance Exploration	Initial ground follow-up, prospecting, geochemical sampling
Year 2 Exploration	Ground EM surveys to pinpoint conductor targets
Year 2 Exploration	Diamond drilling of priority targets

### Timetable and Budget

Work Item	Timetable	Budget
1. Compilation and analysis of results of prior work	In progress	\$10,000
2. Acquire aeromag and IKONOS or airphoto coverage. Structural/lineament analysis and interpretation.	June, July, 2005	\$30,000
3. Airborne EM survey	To be determined	\$200,000
4. Initial ground follow-up, prospecting, geochemical sampling	To be determined	
5. Ground EM surveys to pinpoint conductor targets	To be determined	\$75,000
6. Diamond drilling of priority targets	To be determined	\$375,000

### MONGOLIA - KHAVTSAL

#### Property Description and Ownership

In May 2005, Glenn Catchpole, our president, acquired a 100% interest to the Khavtsal property through a purchase of an exploration license legally recorded and transferred in accordance with the Mongolian Mining Law. The Khavtsal property is recorded at the OGMC by license number #8560 and covers 16,091 hectares.

Mongolia allows for the application of a mineral exploration license through the Office of Geological and Mining Cadastre Office ("OGMC"), an agency of the Mineral Resource Authority of Mongolia. Exclusive rights to explore are granted to individuals or companies, subject to approval of a correctly submitted license application and exploration conducted in compliance with specified mineral law.

Glenn Catchpole entered into a purchase agreement, subject to due diligence and confirmation of title, to purchase a 100% interest in the Khavtsal project including the historical files of data on past work on the project, and commissions, for a total purchase price of \$105,945. No additional payments or work commitments will be required subsequent to closing of the sale. The permit is recorded in the name of Glenn Catchpole because we had not set up a Mongolian corporation at the time the transaction was negotiated. Glenn Catchpole has not provided us with a signed or executed bill of sale in our favor. However, it is intended that he will transfer





ownership of the project to a subsidiary corporation to be formed by us in Mongolia for holding all of our Mongolian permits and projects.

The legal status of the license is maintained by the payment of \$0.10 per hectare in annual fees (2005) on or before the anniversary date of the license issue and by submitting exploration reports annually.

We will maintain the Khavtsal property in good standing for 12 months by recording the license transfer from the present owner to us by paying \$1609.10 USD in annual license fees on or before the license issuance anniversary and filing a suitable exploration report to the OGMC of Mongolia. Exploration Licenses may be held for seven years during which the exclusive right to obtain a mining license within the boundary of the license is held by the owner.

### **Location and Access**

The Khavtsal property is 321 kilometers south-southeast of Ulaan Baatar, the capital city of Mongolia in the Dornogovi province and Armag sub province. The approximate geographic center of the property is at 45°32'42" and 109°07'08". Access to the property is by surfaced and undeveloped roads that head southerly from Ulaan Baatar. These roads parallel the main railway between Ulaan Baatar and southern Mongolia. The property is 30 kilometers south from the station Khar Armag along this railway.

### **Geology and Physiology**

Khavtsal is one of approximately sixty significant sediment hosted uranium occurrences identified and explored by the Russian-Mongolian Survey during the 1980s. The local geologic setting is referred to as the Ulaan Nuur depression. Uranium occurs within a sedimentary sequence that includes significant amounts of organic and carbonaceous material.

The geology of the area includes a basement of Proterozoic to Paleozoic metamorphic igneous rocks that are covered by Jurassic basalts and quartz-porphyrines. This sequence of Jurassic igneous rocks is covered by Upper Jurassic and Lower Cretaceous conglomerates and sandstones which are covered by young alluvial deposits.

Surface trenching exposes horizons of black and brown clays, enriched in carbonaceous organic material that contains 0.012% to 0.241% uranium in layers from 0.6 to 1.8 meters thick. Drilling in the vicinity of the trenches shows similar thicknesses and values with highs of 0.276% uranium over 0.3 meter thicknesses.

A Russian exploration summary that describes and characterizes "estimated resources" has been acquired from the Mongolian Geologic Information Center files at the OGMC in Ulaan Baatar, Mongolia. The translation from Russian has been provided by a Mongolian consultant hired by us and these results will need to be confirmed with additional trenching and drilling. At this point, we take the report as indicating favorable exploration potential.

### **Equipment**

No recovery plant or mining equipment is on the Khavtsal property. Power to the site will most likely be produced on site with generators.

**Previous Exploration Activity**

We have not conducted any exploration on the property. Previous occupiers of the Khavstal property have conducted some exploration activity. A summary report on file at the Geologic Information Center within the offices of the Mineral Resource Authority of Mongolia (MRAM) provides the following summary of exploration work completed on the Khavtsal property:

1.	Geologic and radiometric exploration.
2.	Gamma Spectrometry Mapping.
3.	Surface trenching totaling 3046m <sup>3</sup>
4.	Drilling totaling 1808 meters (44 holes estimated)
5.	Channel sampling of 43.25 meters
6.	Rock sampling totaling 625 samples
7.	Magnetic Survey at 100m by 20m stations over 12.4km <sup>2</sup>
8.	Electric (geophysical) profiles on 100m by 20m stations over 10km <sup>2</sup>

The Khavtsal property can be considered in a stage of advanced exploration based on historic work completed and reported on by the Russian-Mongolian Survey in 1987. The Russians report “resources” of 2000 tons uranium (“Probable resources”) for the Khavtsal uranium occurrence based on physical exploration (noted above) and 4000 tons uranium based on unconstrained geologic projection (“Speculative undiscovered resources”) for the larger Ulaan Nuur depression in which Khavtsal is located.

Exploration on Khavtsal was conducted by the Russian-Mongolian Geologic Survey. This work consisted of an airborne gamma spectrometry survey in 1981 that identified a significant anomaly and the work described above that was conducted in 1987. No other exploration work is recorded in information acquired by us.

We have acquired two Russian-Mongolian Survey reports from the Geologic Information Center in the offices of the Mineral Resource Authority of Mongolia. Translations and additional data searches are being provided to us by a Mongolian consultant based in Ulaan Baatar, Mongolia.

**Plan of Exploration**

Our tentative plan of exploration is described below. The initiation and completion of this plan is dependent on other competing priorities that arise as a result of alternatives presented to us. A schedule and completion of this work is also dependent on our ability to finance the work. We may attempt to joint venture this work to an operating company in exchange for equity prior to conducting any exploration program on Khavtsal.

Exploration Phase	Work Required
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1. Data acquisition and compilation	Search files agencies Mongolia and Russia
2. Surface Data confirmation	Preliminary resample surface trenches
3. Site visit and orientation	Field evaluation by Geologist
4. Report requirements for OGMC	Prepare report of exploration plans
5. Resurvey existing trenches and drill holes	Sub meter GPS survey by technicians
6. Digital Data entry	Entering data by technician
7. Generate Preliminary Drill sections	Product output by technician
8. Generate Preliminary 3D Model resource etc	Complete by geologist or specialist

etc	
9. Drill Data confirmation	Twin existing holes.
10. Design surface exploration program	Prepare plan by Geologist
11. Conduct surface exploration program	Execute plan by geologists, specialists, etc
12. Design drill program if warranted	Prepare Plan by geologist
13. Conduct Drilling program if warranted	Mobilize drill and execute
14. Evaluate exploration results	Evaluation and reporting by geologists

<b>Stage of Exploration:</b>	<b>Timetable:</b>	<b>Cost:</b>
1. Data acquisition and compilation	2 months	\$6,000
2. Surface Data confirmation	15 days	\$12,000
3. Site visit and orientation	4 days	\$2,500
4. Report requirements for OGMC compliance	3 days	\$1,200
5. Resurvey existing trenches and drill holes	7 days	\$8,000
6. Digital Data entry	1 month	\$4,000
7. Generate Preliminary Drill sections	4 days	\$1,000
8. Generate Preliminary 3D Model resource etc	15 days	\$6,000
9. Drill Data confirmation	2 months	\$132,000
10. Design surface exploration program	10 days	\$4,000
11. Conduct airborne Radiometric	5 days	\$80,000
11. Conduct surface exploration program	3 months	\$65,000
12. Design drill program if warranted	10 days	\$4,000
13. Conduct Drilling program if warranted	1 month	\$300,000
14. Evaluate exploration results	14 days	\$6,000
15. Other Data Acquisition, Camp, Expenses		\$50,000
		\$681,700.00

This program might be conducted over two or more seasons and is tentative based on the ability to finance programs by us or to joint venture with suitable partners. Also we may defer and or delete programs entirely based on alternative exploration investment opportunities in our portfolio. No work expenditures are required to keep the project in good standing.

Material terms of contracts for completion of exploration work will be conventional service contracts specifying scope of work, fees and payments, company versus contractor obligations and completion standards, and contract term and termination.

**Regulations**

We will have to comply with the following governmental regulations:

<b>Governmental Regulation</b>	<b>Manner of Compliance</b>
1. Establish a business presence in Mongolia	