

COLIBRI RESOURCE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

SIX MONTH PERIOD ENDED

MAY 31, 2005

COLIBRI RESOURCE CORPORATION
CONSOLIDATED BALANCE SHEET
(Unaudited – Prepared by Management)

	May 31, 2005	November 30, 2004 (Audited)
ASSETS		
Current		
Cash	\$ 168,802	\$ 281,705
Receivables	10,722	1,598
Prepaid expenses	<u>1,212</u>	<u>6,212</u>
	180,736	289,515
Equipment (Note 3)	3,880	4,500
Mineral properties (Note 4)	463,409	292,619
Deferred share issue costs (Note 5)	<u>76,756</u>	<u>26,790</u>
	<u>\$ 724,781</u>	<u>\$ 613,424</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 28,100	\$ 27,608
Due to related parties (Note 6)	<u>4,548</u>	<u>4,548</u>
	<u>32,648</u>	<u>32,156</u>
Shareholders' equity		
Capital stock (Note 7)	881,097	678,832
Share subscriptions received	-	25,000
Deficit	<u>(188,964)</u>	<u>(122,564)</u>
	<u>692,133</u>	<u>581,268</u>
	<u>\$ 724,781</u>	<u>\$ 613,424</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

On behalf of the Board:

_____ Director _____ Director

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

COLIBRI RESOURCE CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	Three Month Period Ended May 31, 2005	Six Month Period Ended May 31, 2005	Period From Incorporation on February 20, 2004 to November 30, 2004
GENERAL AND ADMINISTRATIVE EXPENSES			
Accounting and audit fees	\$ -	\$ 350	\$ 2,465
Amortization	310	620	884
Consulting	5,000	5,000	-
Legal	13,318	16,226	33,444
Management fees	12,750	25,500	63,750
Office and miscellaneous	1,466	2,511	4,366
Printing	561	561	2,791
Rent	3,306	6,703	11,848
Telephone	528	1,055	1,628
Transfer agent and filing fees	1,859	2,235	1,047
Travel and related	2,847	6,276	1,102
Loss before other income	(41,945)	(67,037)	(123,325)
OTHER INCOME			
Interest	272	637	761
Loss for the period	(41,653)	(66,400)	(122,564)
Deficit, beginning of period	(147,311)	(122,564)	-
Deficit, end of period	\$ (188,964)	\$ (188,964)	\$ (122,564)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.05)
Weighted average number of shares outstanding	6,843,808	6,406,210	2,354,347

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

COLIBRI RESOURCE CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Month Period Ended May 31, 2005	Six Month Period Ended May 31, 2005	Period From Incorporation on February 20, 2004 to November 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	\$ (41,653)	\$ (66,400)	\$ (122,564)
Item not affecting cash:			
Amortization	310	620	884
Change in non-cash working capital items:			
Increase in receivables	(3,729)	(9,124)	(1,598)
Increase (decrease) in prepaid expenses	-	5,000	(6,212)
Increase (decrease) in accounts payable and accrued liabilities	(5,616)	492	27,608
Increase (decrease) in due to related parties	<u>(26,625)</u>	<u>-</u>	<u>4,548</u>
Net cash provided by (used in) operating activities	<u>(77,313)</u>	<u>(69,412)</u>	<u>(97,334)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Deferred share issue costs	(23,267)	(49,966)	(26,790)
Proceeds from issuance of capital stock	172,265	202,265	600,500
Share issuance costs	-	-	(11,668)
Share subscriptions received	<u>-</u>	<u>(25,000)</u>	<u>25,000</u>
Net cash provided by (used in) financing activities	<u>148,998</u>	<u>127,299</u>	<u>587,042</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	-	-	(5,384)
Acquisition of mineral properties and deferred exploration costs	<u>(23,640)</u>	<u>(170,790)</u>	<u>(202,619)</u>
Net cash used in investing activities	<u>(23,640)</u>	<u>(170,790)</u>	<u>(208,003)</u>
Increase in cash during the period	48,045	(112,903)	281,705
Cash, beginning of period	<u>120,757</u>	<u>281,705</u>	<u>-</u>
Cash, end of period	<u>\$ 168,802</u>	<u>\$ 168,802</u>	<u>\$ 281,705</u>

Supplemental disclosure with respect to cash flows (Note 8)

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

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on February 20, 2004 in the province of British Columbia. The Company is pursuing opportunities in the exploration of mineral and natural resource properties and is considered to be in the development stage.

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated 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 receive continued financial support, complete public equity financing, or generate profitable operations in the future.

	May 31, 2005	November 30, 2004
		(Audited)
Working capital	\$ 148,088	\$ 257,359
Deficit	(188,964)	(122,564)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and of its wholly owned subsidiary, Minera Halcones S.A. de C.V. ("Halcones"). Halcones was incorporated on March 30, 2004 in Mexico. All significant inter-company accounts and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the 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.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Cost of maintaining mineral properties

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

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at an annual rate of:

Office furniture	20%
Computer equipment	30%

Deferred share issue costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation

The Company's activities denominated in currencies other than Canadian dollars are translated as integrated operations using the temporal method. Under this method, monetary items are translated at the exchange rate in effect at the balance sheet date, non-monetary items are translated at historical rates, and revenue and expense items are translated at exchange rates prevailing when such items are recognized in the statement of operations. Exchange gains or losses arising on translation of foreign currency items are included in operating results.

Stock-based compensation

Stock options granted to employees and non-employees are recorded at fair value on the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

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 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.

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period.

Future income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future 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 the 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 more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

3. EQUIPMENT

	May 31, 2005			November 30, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office furniture	\$ 1,262	\$ 273	\$ 989	\$ 1,262	\$ 163	\$ 1,099
Computer equipment	<u>4,122</u>	<u>1,231</u>	<u>2,891</u>	<u>4,122</u>	<u>721</u>	<u>3,401</u>
	\$ 5,384	\$ 1,504	\$ 3,880	\$ 5,384	\$ 884	\$ 4,500

COLIBRI RESOURCE CORPORATION
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4. MINERAL PROPERTIES

Title to mineral properties

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.

Colibri Property

On June 16, 2004 the Company agreed to an option agreement with Minera Cadenza S de RL (“Cadenza”), a private Mexican company controlled by two directors of the Company, to purchase a 90% interest in the Colibri property, located in the State of Sonora, Mexico. Upon signing the option agreement, the Company paid \$50,000 and issued 200,000 common shares for a value of \$30,000. Over the next five years the Company has agreed to pay \$300,000, issue a total of 1,200,000 common shares and incur a total of \$1,800,000 in exploration expenditures to earn its 90% interest. The Company is required to pay \$50,000 (\$25,000 paid, see Note 11) and issue 250,000 common shares on or before December 16, 2005 (Note 11). The Company is required to incur \$500,000 in exploration expenditures on or before December 16, 2005.

Once the terms of the option agreement have been completed, Cadenza has the option to maintain its remaining 10% interest or revert to a sliding scale Net Smelter Returns (“NSR”) royalty. The Company has the option to purchase the NSR royalty at any time for \$6,000,000.

As part of the Colibri property, on June 16, 2004, the Company agreed to an assignment of contract agreement to have the right to purchase a 100% interest in two mineral claims known as the San Francisco and the Juarez claims for a total of US\$1,000,000 to be paid over a six year period ending January 1, 2010. All option payments made under this agreement will be applied to the purchase price of US\$1,000,000 if the Company elects to purchase these two mineral claims. The Company paid US\$10,000 in the period ended November 30, 2004 and in the year ended November 30, 2005 is required to pay US\$20,000 (US\$10,000 paid).

Ramaje Ardiente Property

On June 16, 2004, the Company agreed to an option agreement with Minera El Sahuaro S.A. de C.V. (“Sahuaro”), a wholly-owned subsidiary of Cadenza, to purchase a 100% interest in the Ramaje Ardiente property, located in the State of Sonora, Mexico. Upon signing the option agreement the Company paid \$20,000 and issued 200,000 common shares for a value of \$30,000. Over the next four years the Company has agreed to pay \$70,000, issue a total of 200,000 common shares, incur a total of \$500,000 in exploration expenditures and initiate a scoping/pre-feasibility study to earn its 100% interest. The Company is required to pay \$10,000 (Note 11) and issue 100,000 common shares on or before December 16, 2005 (Note 11). The Company is required to incur \$250,000 in exploration expenditures on or before December 16, 2005.

The property is subject to a 2.0% NSR royalty. The company has the option to purchase 50% of the royalty for \$1,000,000.

COLIBRI RESOURCE CORPORATION
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4. MINERAL PROPERTIES (cont'd...)

Leon Property

On June 16, 2004 the Company agreed to an option agreement with Minera La Pitahaya S.A. de C.V. (“Pitahaya”), a private Mexican company, which is 50% owned by a director of the Company, to purchase a 100% interest in the Leon property, located in the State of Sonora, Mexico. Upon signing the option agreement the Company paid \$20,000 and issued 200,000 common shares for a value of \$30,000. Over the next four and half years the Company has agreed to pay a total of \$190,000, issue a total of 200,000 common shares, incur a total of \$500,000 in exploration expenditures and commence a scoping / pre-feasibility study to earn its 100% interest. The Company is required to pay \$10,000 and issue 100,000 common shares on or before June 16, 2005 (Note 11). The Company is required to incur \$250,000 in exploration expenditures on or before December 16, 2006.

The property is subject to a 2.0% NSR royalty. The Company has the option to purchase 50% of the royalty for \$1,000,000.

	Colibri Property	Ramaje Ardiente Property	Leon Property	May 31, 2005 Total	November 30, 2004 Total
Balance, beginning of the period	\$ 173,958	\$ 59,359	\$ 59,302	\$292,619	\$ -
Additions					
Mineral claims	38,864	-	10,000	48,864	193,557
Accommodation and meals	3,887	1,914	-	5,801	-
Assays and lab tests	3,500	511	613	4,624	1,774
Field expenses	692	342	-	1,034	-
Field surveying	-	-	-	-	1,015
Geological consulting	24,671	4,310	-	28,981	58,334
Geophysics	62,129	-	-	62,129	-
Miscellaneous	888	437	-	1,325	-
Property and claim taxes	2,601	5,680	4,091	12,372	22,294
Telephone	418	206	-	624	-
Travel and transport	<u>3,362</u>	<u>1,674</u>	<u>-</u>	<u>5,036</u>	<u>15,645</u>
Total additions during the period	<u>141,012</u>	<u>15,074</u>	<u>14,704</u>	<u>170,790</u>	<u>292,619</u>
Balance, end of period	\$ <u>314,970</u>	\$ <u>74,433</u>	\$ <u>74,006</u>	\$ <u>463,409</u>	\$ <u>292,619</u>

5. DEFERRED SHARE ISSUE COSTS

The Company has incurred costs totalling \$76,756 towards its initial public offering (Note 11 (c)).

COLIBRI RESOURCE CORPORATION
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6. RELATED PARTY TRANSACTIONS

During the three month period ended February 28, 2005, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$25,500 (November 30, 2004 - \$63,750) to a company controlled by a director of the Company.
- b) Paid or accrued \$20,750 (November 30, 2004 - \$16,050) in geological consulting fees, which are included in deferred exploration costs, to a company controlled by a director.
- c) As outlined in Note 4, Colibri Property, the Company paid \$Nil (November 30, 2004 - \$50,000) and issued Nil (November 30, 2004 - 200,000) common shares for a value of \$Nil (November 30, 2004 - \$30,000) to a private Mexican company controlled by two directors of the Company.
- d) As outlined in Note 4, Ramaje Ardiente Property, the Company paid \$Nil (November 30, 2004 - \$20,000) and issued Nil (November 30, 2004 - 200,000) common shares for a value of \$Nil (November 30, 2004 - \$30,000) to a private Mexican company controlled by two directors of the Company.
- e) As outlined in Note 4, Leon Property, the Company paid \$Nil (November 30, 2004 - \$20,000) and issued Nil (November 30, 2004 - 200,000) common shares for a value of \$Nil (November 30, 2004 - \$30,000) to a private Mexican company which is 50% owned by a director of the Company.

Due to related parties of \$4,548 (November 30, 2004 - \$4,548) is comprised of \$4,548 (November 30, 2004 - \$4,548) for management fees due to a company controlled by a director.

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

7. CAPITAL STOCK

	Number of Shares	Amount
Authorized		
100,000,000 common shares without par value		
Issued		
Balance as at November 30, 2004	5,770,000	\$ 678,832
Private placements	<u>2,496,866</u>	<u>202,265</u>
Balance as at May 31, 2005	<u>8,266,866</u>	<u>\$ 881,097</u>

Capital stock

A total of 2,016,667 shares are subject to an escrow agreement with their release at the discretion or determination of the applicable regulatory authority.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. CAPITAL STOCK (cont'd...)

During the six month period ended May 31, 2005, the Company issued 2,496,866 shares for gross proceeds of \$202,265 pursuant to private placements.

Stock options

The Company grants stock options in accordance with the policies of the TSX Venture Exchange (“TSX-V”) under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2005	2004
Cash paid during the period for income taxes	\$ -	\$ -
Cash paid during the period for interest	\$ -	\$ -

There significant non-cash transaction during the six month period ended May 31, 2005 consisted of the Company issuing 166,667 common shares for \$25,000 which were share subscriptions received at November 30, 2004.

The significant non-cash transaction that occurred during the period ended November 30, 2004 consisted of the Company issuing 600,000 common shares with a value of \$90,000 for the acquisition of various mineral claims located in Mexico (Note 4).

9. SEGMENT INFORMATION

The Company currently conducts substantially all of its operations in one business segment, being the acquisition and exploration of mineral properties in Mexico (Note 4). The loss from operations for the six month period ended May 31, 2005 is primarily attributed to the Company’s corporate office in Canada.

10. FINANCIAL INSTRUMENTS

The Company’s financial instruments consist of cash, receivables, accounts payable and accrued liabilities and due to a related party. In management’s opinion, the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company has its cash in commercial banks in Canada and Mexico.

11. SUBSEQUENT EVENTS

The following events occurred subsequent to May 31, 2005:

- a) The Company granted 550,000 stock options with an exercise price of \$0.25 per share, to the directors of the Company. These options expire 5 years from the effective date of the Company's preliminary prospectus.
- b) The Company issued a total of 450,000 common shares and paid \$45,000 for mineral properties (Note 4).
- c) Subject to regulatory approval, the Company has entered into an agreement, to proceed with an initial public offering on the TSX-V. Through its Agent, the Company will issue on a commercially reasonable efforts basis a maximum of 10,000,000 units at \$0.25 per unit for maximum proceeds of \$2,500,000 with a minimum offer of 6,000,000 units for gross proceeds of \$1,500,000 (prior to the exercise of the Greenshoe option as described below).

Each unit will consist of one common share in the capital of the Company and one transferable common share purchase warrant. Two whole warrants will entitle the holder thereof to acquire one additional common share for a period of 24 months following completion of the Offering at an exercise price of \$0.30. The warrants are to be listed for trading on the TSX-V, subject to meeting distribution requirements.

The Company has granted the Agent an option (the "Greenshoe Option") exercisable within 60 days of the closing of the Offering to acquire from the Company, at the Offering Price, that number of units which is equal to the lesser of 15% of the number of units sold pursuant to the Offering and the actual number of units subscribed for over and above the maximum offering. In the event the Agent exercises the Greenshoe Option in full, up to 1,500,000 additional shares and 750,000 warrant shares may be issued for gross proceeds to the Company of \$375,000.

The Company has agreed to pay a commission to the Agent equal to 8.5% of the gross proceeds of the Offering (including units that may be sold pursuant to the Greenshoe Option). The Agent may elect to take up to one-half of this commission in the form of units (the "Agent's Units"). Each Agent's Unit will be comprised of one common share of the Company, up to a maximum of 488,750 common shares, and non-transferable share purchase warrants entitling the Agent to purchase up to an additional 244,375 common shares of the Company at a price of \$0.30 per share for a period of 24 months.

The Company will also issue to the Agent non-transferable share purchase warrants (the "Agent's Warrants") entitling the Agent to acquire up to a maximum of 1,725,000 common shares of the Company. The Agent's Warrants will be exercisable at a price of \$0.30 per share for a period of 24 months from the issuance of the Agent's Warrants.

The Company will also issue to the Agent, as a corporate finance fee, 240,000 units, entitling the Agent to acquire up to 240,000 common shares and non-transferable share purchase warrants entitling the Agent to purchase up to an additional 240,000 common shares of the Company at a price of \$0.30 per share for a period of 24 months.

The Company will also pay for all reasonable expenses incurred by the Agent in connection with the Offering, including the Agent's fees, out-of-pocket expenses and fees and disbursements of the Agent's legal counsel, and an administration fee of \$20,000. The administration fee, at the election of the Agent, may be converted into a maximum of 80,000 units prior to the completion of the Offering entitling the Agent to acquire up to 80,000 common shares and non-transferable share purchase warrants entitling the Agent to purchase up to an additional 40,000 common shares of the Company at a price of \$0.30 per share for a period of 24 months.

COLIBRI RESOURCE CORPORATION

Form 51-102F1

Management's Discussion & Analysis for Quarter Ended May 31, 2005

Item 1: INTERIM MD&A

Forward-looking Information

This Management Discussion and Analysis ("MD&A") contains certain forward-looking statements and information relating to Colibri Resource Corporation (the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

1.1 Date

The following discussion and analysis is as at July 29, 2005. All figures are in Canadian dollars unless otherwise noted.

1.2 Overall Performance

Through its Subsidiary, Minera Halcones S.A. de C.V., the Company is engaged in the acquisition, exploration, and if warranted, development of gold, silver, copper, molybdenum and other metal deposits in Mexico. Halcones has the right to acquire a majority interest in three large mineral properties located in Sonora, Mexico. Sonora is the northernmost state in Mexico and borders the United States of America. All of the Company's property interests are located within or adjacent to, a free trade zone within the State, a fact that facilitates cross-border access and general business. The properties are characterized by ease of accessibility, well developed infrastructure, access to a ready and skilled labour pool and a large degree of common logistics due to their relative proximity to each other.

The Company's mineral property interests are the Colibri Property, the Leon Property, and the Ramaje Ardiente (Ramard) Property. These properties are in the exploration stage only and are without a known body of commercial ore.

1.3 Selected Interim Information

	Period Ended November 30, 2004 (audited)	Three Month Period ended May 31, 2005 (unaudited)
Current assets	\$289,515	\$180,736
Mineral properties and deferred exploration costs	\$292,619	\$540,165
Total liabilities	\$32,156	\$32,648
Shareholders equity (net of deficit)	\$581,268	\$692,133
Net income (loss)	\$(122,564)	\$(41,653)
Net income (loss) per share	\$(0.05)	\$(0.01)

1.4 Results of Operations

The preparation of financial statements in conformity with Canadian 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 may be different from those estimates. Additional significant accounting policies are detailed in Note 2 attached to the financial statements.

Period from incorporation on February 20, 2004 to November 30, 2004

Operations in the period from incorporation on February 20, 2004 to November 30, 2004 were focused on the incorporation of the Company, the establishment of its management team and the investigation of the properties for which it has entered into agreements to acquire interests in. The Company has not generated any revenues from or the period from incorporation on February 20, 2004 to November 30, 2004 and does not expect to do so in the near future.

The net loss for the period from incorporation on February 20, 2004 to November 30, 2004 was \$122,564 which was a loss of \$0.05 per share on both a basic and a fully diluted basis. This loss was primarily attributed to general and administrative expenses of \$123,325, the major component of which was management fees of \$63,750 paid to a company controlled by the Company's President. In addition, the Company paid or accrued geological consulting fees of \$16,050 to a company controlled by a director of the Company, which amount has been included in deferred explorations costs.

Three Month Period Ended May 31, 2005

Operations in the three month period ended May 31, 2005 were focused on the preparation of the Company's Initial Public Offering and in maintaining the Company's interests in the properties for which it has entered into agreements to acquire interests in. The Company has not generated any revenues from operations for the three month period ended May 31, 2005.

The net loss for the three month period ended May 31, 2005 was \$41,653 which was a loss of \$0.01 per share on both a basic and a fully diluted basis. This loss was primarily attributed to general and administrative expenses of \$41,945, the major component of which was management fees of \$12,750 paid to a company controlled by the Company's President, professional fees and expenses related to our IPO and geological consulting fees.

1.5 Summary of Quarterly Results

The following table sets forth selected (unaudited) quarterly financial information for each of the last five most recently completed quarters, as the Company was incorporated on February 20, 2004:

For the Quarter Periods Ending on	May 31, 2005	February 28, 2005	November 30, 2004	August 31, 2004	May 31, 2004
Total Revenues	\$ Nil	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Net Income (Loss) before discontinued operations and extraordinary items	(\$0.01)	(\$24,747)	(\$122,564)	(\$37,050)	(\$85,514)
Total Net Income (loss)	(\$41,653)	(\$24,747)	(\$122,564)	(\$37,050)	(\$85,514)
Basic (Loss) per share	(\$41,653)	(\$0.01)	(\$0.05)	(\$0.02)	(\$0.02)

1.6 Liquidity

The Company has no history of profitable operations and its mineral projects are at an early stage. Therefore, it is subject to many risks common to comparable junior venture resource companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

At May 31, 2005, the Company had \$148,088 working capital, as compared to \$64,073 on May 31, 2005. At June 30, 2005, the Company had \$104,750 in working capital.

The Company's ability to continue as a going concern in the short term is dependent upon its ability to obtain financing. The Company has obtained financing by the issuance of share capital. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

At November 30, 2004, the Company had current assets of \$289,515 and current liabilities of \$32,156 and a net working capital of \$257,359. At May 31, 2005, the Company had current assets of \$180,736 and current liabilities of \$32,648 and a net working capital of \$148,088. The Company has been funding its ongoing working capital requirements by way of private placement financings through the issuance of its common shares. Of its current liabilities at May 31, 2005, \$28,100 represents accounts payable and accrued liabilities and \$4,548 represents accounts payable to an officer and director on account of management fees.

With the Company's financing activities in the periods ended November 30, 2004 and May 31, 2005, the Company acquired net cash of \$787,042 which has been applied to fund the Company's working capital requirements and property acquisition costs and will continue to be applied to fund the Company's exploration programs on the properties as well as cover its general and administrative expenses. The Company's working capital of \$148,088 as at May 31, 2005 is not sufficient to fund its obligations in regards to the properties in which it has the right to acquire interests in, or to fund any material exploration programs.

Subsequent to the period end, the Company closed its IPO on July 28, 2005, pursuant to which it received net proceeds of \$2,243,625 from the sale of 10,000,000 units (the "Units") with each Unit consisting of one common share in the capital of the Company (a "Share") and one transferable common share purchase warrant (a "Warrant"). Two whole Warrants will entitle the holder thereof to acquire one additional common share of the Company (a "Warrant Share") until July 28, 2007 at an exercise price of \$0.30 per Warrant Share. The Company has granted Canaccord Capital Corporation (the "Agent") an option (the "Greenshoe Option") exercisable within 60 days of the closing of the Offering to acquire from the Company, at the Offering Price, that number of Units which is equal to the lesser of 15% of the number of Units sold pursuant to the Offering. In the event the Agent exercises the Greenshoe Option in full, up to 1,500,000 additional Shares and 750,000 Warrant Shares may be issued for gross proceeds to

the Company of \$375,000 (less the Agent's commissions of \$31,875) for net proceeds to the Company of \$343,125.

1.7 Capital Resources

The Company's sources of funds have been derived from private placement financings and most recently the completion of the Company's IPO.

Additional disclosure concerning the Company's general and administrative expenses and resource property obligations and commitments are provided in the Company's Consolidated Statement of Loss and Deficit and Notes therein.

The Company does not have any commitments for specific capital expenditures, as the agreements under which it may earn the interests in the mineral exploration properties are option agreements. However, the Company anticipates incurring the following expenditures from its available funds:

Description

(1)	To make property option payments on the San Francisco and Juarez claims on the Colibri gold property, collectively for the sum of US\$5,000 on each of 01 April, 2005, 01 July, 2005, 01 October, 2005, and 01 January 2006	\$	25,000
	Note: C\$/US\$ foreign exchange assumption = 1.25		
(2)	To make property option payments of C\$ due per schedule below	\$	40,000
	<u>15 December, 2005</u>		
	Colibri property	\$25,000	
	Leon property	\$15,000	
	Ramard property	nil	
(3)	To make mineral property tax estimated payments due per schedule below	\$	20,398
	<u>01 July, 2005</u>	<u>01 January 2006</u>	
	Colibri property	\$5,319	\$5,851
	Leon property	\$2,217	\$2,439
	Ramard property	\$2,177	\$2,395
	Note: Mexican peso/C\$ foreign exchange assumption = 8.5		
(4)	(a) To conduct the Phase I exploration – Colibri property	\$	1,270,320
	(b) To conduct the Phase I exploration program on the Ramard Property (consisting of \$50,000 for line cutting, soil sampling and geological mapping; \$100,000 for ground geophysics; and \$100,000 for a 1,000 meter drill program)	\$	250,000
	(c) To conduct a basic exploration program on the Leon Property to maintain it in good standing and Mexican Mining Regulations.	\$	40,000
(5)	To cover estimated general and administrative expenses for a 12-month period	\$	264,684
(6)	To provide general working capital	\$	369,348

1.8 Off-Balance Sheet Arrangements

The Company has no off-Balance Sheet Arrangements.

1.9 Transactions with Related Parties

See Note 6 of the unaudited financial statements as at May 31, 2005.

1.10 Fourth Quarter

N/A

1.11 Proposed Transactions

N/A

1.12 Critical Accounting Estimates

N/A

1.13 Changes in Accounting Policies including Initial Adoption

See Note 2 “Significant Accounting Policies” set out in the Company’s audited financial statements for the year ended November 30, 2004 and unaudited financial statements for the period ended May 31, 2005.

1.14 Financial Instruments and Other Instruments

The Company’s financial instruments consist of cash and short-term deposits, receivables and accounts payables. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

1.15 Other MD&A Requirements**A. Authorized and Issued Share Capital as at July 29, 2005:**

Authorized: 100,000,000 Common Shares without par value

Issued and outstanding: 18,961,367 Common Shares

B. Additional Disclosure for Venture Issuers Without Significant Revenue

The Company has not had significant revenue from operations since inception on February 20, 2004. The following table is a breakdown of the material components listed for the period from inception or February 20, 2004 to November 30, 2004 and for the three month period ended March 31, 2005:

	Three Month Period Ended May 31, 2005	Period from February 20, 2004 to November 30, 2004
Capitalized or expensed exploration and development costs		\$292,619
Expensed research and development costs		Nil
Deferred development costs		Nil
General and Administration expenses		\$123,325
Material costs, whether capitalized, deferred or expenses, not referred to in the above		Nil

C. Options, Warrants & Convertible Securities Outstanding as at July 29, 2005:

The following options, warrants, and convertible securities were outstanding as at July 29, 2005:

Director and Officer Stock Options		
Number	Exercise Price	Expiring Date
550,000	\$0.25	July 15, 2010

Warrants		
Number	Exercise Price	Expiring Date
10,000,000 warrants, two warrants required to purchase one common share	\$0.30	July 28, 2007
1,744,500 Agent's Warrants	\$0.30	July 28, 2007

Additional Information

Additional Information relating to the Company is available on SEDAR at www.sedar.com.