

**BLUE LIGHTNING VENTURES INC.**  
**INTERIM FINANCIAL STATEMENTS**  
**December 31, 2004**  
**(Unaudited)**

NOTICE TO READER

INTERIM BALANCE SHEETS

INTERIM STATEMENTS OF LOSS AND DEFICIT

INTERIM STATEMENTS OF CASH FLOWS

NOTES TO INTERIM FINANCIAL STATEMENTS

## UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statement for the period ended December 31, 2004.

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### NOTICE TO READER

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The interim balance sheet as at December 31, 2004 and the interim statements of loss and deficit, and the interim statements of cash flows for the three month period then ended are the responsibility of the Company's management.

These financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Moen and Company.

The interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian Generally Accepted Accounting Principles.

*/s/ Clive Massey*

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Clive Massey, Director  
Vancouver, BC Canada  
February 25, 2005

*/s/ Brent Peters*

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Brent Peters, Director  
Vancouver, BC Canada  
February 25, 2005

**BLUE LIGHTNING VENTURES INC.**  
**INTERIM BALANCE SHEET**  
**DECEMBER 31, 2004**  
**(In Canadian Dollars)**  
**(With Comparative Figures at September 30, 2004)**

<b>ASSETS</b>	<b><u>Dec. 31, 2004</u></b>	<b><u>Sept. 30, 2004</u></b>
<b>Current Assets</b>		
Cash (Note 2(g))	\$ 106,173	\$ 44,455
Security deposit (Note 2(g))	5,750	5,750
GST recoverable	13,818	12,623
Prepaid expenses (Note 6)	-	108,300
	<u>125,741</u>	<u>171,128</u>
<b>Fixed Assets, net (Note 2(a))</b>	3,042	3,277
<b>Investment in Mineral Properties (Note 5)</b>	<u>272,500</u>	<u>272,500</u>
	<u>\$ 401,283</u>	<u>\$ 446,905</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 8,013	\$ 6,011
Loans from related parties (Note 4)	191,197	194,928
	<u>199,210</u>	<u>200,939</u>
<b>Shareholders' Equity</b>		
Capital stock (Note 3)		
Authorized:		
100,000,000 common shares without par value		
Issued:		
11,687,218 common shares		
(2002 - 40,684,437 common shares)	4,246,525	4,246,525
Contributed surplus	352,000	-
Deficit, accumulated during the development stage	<u>(4,396,452)</u>	<u>(4,000,559)</u>
	<u>202,073</u>	<u>245,966</u>
	<u>\$ 401,283</u>	<u>\$ 446,905</u>

APPROVED ON BEHALF OF THE BOARD:

"Clive Massey" (Signed)

"Brent Peters" (Signed)

The accompanying notes are an integral part of these interim financial statements

**BLUE LIGHTNING VENTURE INC.**  
**INTERIM STATEMENT OF INCOME (LOSS)**  
**FIRST QUARTER-ENDED DECEMBER 31, 2004**  
**(In Canadian Dollars)**

	Three months ended December 31, 2004	Three months ended December 31, 2003
<b>REVENUE</b>		
Interest income	\$ 105	\$ 331
<b>EXPENSES</b>		
Amortization	234	300
Bank charges and interest	145	97
Consulting	3,869	-
Filing and transfer agent fees	555	548
Legal and accounting fees	12,497	600
Management fees	15,000	15,000
Office expenses	6,050	5,602
Telephone and utilities	1,907	1,498
Travel & promotion	3,741	2,684
Stock based compensation	352,000	-
	395,998	26,329
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ (395,893)</b>	<b>\$ (25,998)</b>
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>4,000,559</b>	<b>3,866,326</b>
<b>DEFICIT, END OF PERIOD</b>	<b>4,396,452</b>	<b>3,892,324</b>
<b>BASIC AND DILUTED INCOME (LOSS) PER SHARE</b>	<b>\$ (0.03)</b>	<b>\$ 0.00</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>		
- Basic	11,687,218	11,687 218

The accompanying notes are an integral part of these interim financial statements

**BLUE LIGHTNING VENTURES INC.**  
**INTERIM STATEMENT OF CASH FLOWS**  
**FIRST QUARTER-ENDED DECEMBER 31, 2004**  
**(In Canadian Dollars)**

	Three months ended December 31, 2004	Three months ended December 31 2003
<b>CASH FLOWS PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (395,893)	\$ (25,998)
Items not involving cash		
- Amortization	234	300
- Stock-based compensation	352,000	-
Net changes in non-cash working capital items:		
GST recoverable	(1,194)	-
Prepaid expenses	108,300	-
Accounts payable and accrued liabilities	2,002	19,644
	65,449	(6,054)
<b>INVESTING ACTIVITIES</b>	-	-
<b>FINANCING ACTIVITIES</b>		
Loans from related parties, net	(3,731)	-
	(3,731)	-
<b>INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>61,718</b>	<b>(6,054)</b>
<b>CASH &amp; CASH EQUIVALENTS, beginning of period</b>	<b>44,455</b>	<b>113,305</b>
<b>CASH &amp; CASH EQUIVALENTS, end of period</b>	<b>\$ 106,173</b>	<b>\$ 107,251</b>

The accompanying notes are an integral part of these interim financial statements

# BLUE LIGHTNING VENTURES INC.

## Notes to Financial Statements

December 31, 2004

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### Note 1. NATURE AND CONTINUANCE OF OPERATIONS

Blue Lightning Ventures Inc. (the "Company") was incorporated on February 6, 1986, in the name of Atlar Resources Ltd. had further name changes on March 13, 1987 to Tatlar Resources Ltd., to Opact Resources Ltd. on July 22, 1991, and to Blue Lightning Ventures Inc. on July 21, 1999. The Company is in the development stage relating to exploration and development of mineral properties and has not generated any revenues from its planned operations. The deficit has been accumulated during this development stage.

These financial statement have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses since inception of \$4,396,452 and has a working capital deficit at December 31, 2004 of \$73,469. These factors create doubt as to the ability of the Company to continue as a going concern unless sufficient funds are raised for the payment of its current liabilities and for ongoing operations. Realization values may be substantially different from the carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

### Note 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Fixed assets and amortization

Capital assets are recorded at cost and amortized over their estimated useful lives. Amortization is provided on a declining balance method at the following rates:

Office equipment	20%
Computer equipment	30%

	December 31, 2004			September 30
	Cost	Accumulated Amortization	Net	2004 Net
Computer equipment	\$ 4,680	\$ 2,083	2,597	\$ 2,808
Office equipment	1,199	754	445	469
	<u>\$ 5,879</u>	<u>\$ 2,837</u>	<u>\$ 3,042</u>	<u>\$ 3,277</u>

#### b) General and administration expenses

General and administration expenses are written off to operations as incurred.

#### c) Financial Instruments

The Company's financial instruments consist of cash, GST receivable and current liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial statements approximates their carrying values.

**BLUE LIGHTNING VENTURES INC.**  
**Notes to Financial Statements**  
**December 31, 2004**

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Note 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Translation of Foreign Currency

The accounts of the Company are translated into Canadian dollars on the following basis:

- monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date
- non-monetary assets and liabilities are translated at the rate prevailing when the transaction occurred
- revenue, general & administration expenses, and gains and losses are translated at the average exchange rate in effect during the period
- exchange gains or losses from conversion are included in the current net income.
- depreciation or amortization of assets translated at historical exchange rates are translated at the same exchange rates as the assets to which they relate;

e) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect certain reported amounts and disclosures. Estimates are used for, but are not limited to, the accounting for doubtful accounts, amortization, income taxes, and the recoverability of non-producing mining property capitalized costs and deferred exploration expenditures. Actual results may differ from those estimates.

f) Stock-based compensation plan

Effective January 1, 2002 the Company adopted, on a prospective basis, CICA HB 3870 stock-based compensation and other stock-based payments, which established standards for the recognition, measurement, and disclosure of stock-based payments made in exchange for goods and services. Stock-based compensation and other stock-based payments require that stock-based payments to non-employees be accounted for using a fair value based method of accounting.

Effective January 1, 2004, pro forma disclosure was no longer permitted and the fair value of all stock options granted must be accounted for. The Company has voluntarily adopted the new policy for this new fiscal year ended September 2005.

g) Cash and security deposit

Cash consists of \$106,173 cash deposit in bank. There is a credit card security deposit of \$5,750 at December 31, 2004.

# BLUE LIGHTNING VENTURES INC.

## Notes to Financial Statements

December 31, 2004

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### Note 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### h) Mineral Properties

Acquisition costs of mineral properties are capitalized by the Company, and are dealt with in the same manner as deferred exploration costs. Mineral property sale proceeds or option payments received for exploration rights are credited firstly to mineral property costs, secondly, as a recovery of deferred exploration costs, and thereafter, recognized as a gain or loss in current operations.

#### i) Values

The amounts for deferred exploration costs and mineral properties represent costs incurred to date and are not intended to reflect present or future values. The recoverability of the amounts shown for mineral properties and deferred exploration costs is dependent on the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development, including compliance with the requirements of lenders who may provide this financing from time to time, and upon future profitable operations.

### Note 3. SHARE CAPITAL

a) Authorized: 100,000,000 common shares without par value

b) Issued and outstanding:

	First Quarter Ended December 31			
	2004		2003	
	Shares	\$	Shares	\$
	Number of Common shares	Total of Capital stock	Number of Common shares	Total of Capital stock
Unchanged balance from September 30, 2002 to September 30, 2004	11,687,218	\$ 4,246,525	11,687,218	\$ 4,246,525

c) Stock options:

Stock options are granted at an exercise price set in accordance with regulatory policies, and may not be granted at an exercise price of less than \$0.10 per share. Stock options have a maximum term of five years.

### Note 3. SHARE CAPITAL (continued)

# BLUE LIGHTNING VENTURES INC.

## Notes to Financial Statements

December 31, 2004

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c) Stock options (continued):

A summary of the Company's outstanding stock options as at December 31, 2004 and the changes during the period is presented below:

	Number	Exercise price
Outstanding at September 30, 2004	-	-
Granted	1,100,000	\$0.20
Outstanding at December 31, 2004	1,100,000	\$0.20

As disclosed in Note 2, effective the fiscal year ending September 30, 2005, the Company has adopted the new policy to record the fair value of compensation expense on the granting of stock options using the Black-Scholes model. For the first quarter ended December 31, 2004, the Company recorded a compensation charge of \$352,000 as the fair value of the 1,100,000 stock options granted.

The fair value of each option granted is estimated on the grant date using the Black-Scholes option pricing model. The assumptions used in calculating fair value are as follows:

Weighted average fair value of options granted	\$0.32
Expected dividend yield	0.0%
Expected volatility	197%
Risk-free interest rate	4.5%
Expected term in years	5

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Stock-based compensation charges are expensed for stock options granted with a corresponding increase to contributed surplus. Upon exercise of stock options, consideration paid on the exercise of stock options for the purchase of stock, together with the amount previously recognized in contributed surplus, is credited to share capital.

c) Private Placement

On December 21, 2004, the Company announced a private placement of up to 3,000,000 units at \$0.20 each. Each unit will consist of one common share and one half of a six-month non transferable share purchase warrant. Each full warrant will entitle the holder to acquire an additional common share of the Company for \$0.25. The proceeds of the private placement will be used for mineral property investigation and acquisition costs and general working capital.

## Note 4. RELATED PARTY TRANSACTIONS

# BLUE LIGHTNING VENTURES INC.

## Notes to Financial Statements

December 31, 2004

- (a) Loans from related parties of \$191,197 as at December 31, 2004 (\$64,397 – 2003) are unsecured, non interest bearing, with no specific terms of repayment, and are payable to a director and a company controlled by a director.
- (b) During the period, the Company was charged the following amounts by directors or by companies controlled by the directors:

Management fees	\$	15,000
Consulting fees		2,000
Office expense		1,500
<u>Total</u>		<u>18,500</u>

### Note 5. INVESTMENT IN MINERAL PROPERTY

#### MT Spencer Property, British Columbia

By agreement dated January 11, 2000 and amended May 24, 2000, the Company acquired a 97% undivided interest in six mineral claims located in the Port Alberni-Nitinat River area of Vancouver Island for the amount of \$195,000.

	December 31	
	2004	2003
Acquisition Costs		
Cash	\$ 195,000	\$ 195,000
Finders' fee	9,500	9,500
<u>Total Acquisition Costs</u>	<u>204,500</u>	<u>204,500</u>
Deferred Exploration Costs		
Line cutting	8,000	8,000
Survey	35,200	35,200
Samples	14,080	14,080
Mapping	10,720	10,720
<u>Total Deferred Exploration Costs</u>	<u>68,000</u>	<u>68,000</u>
<u>Total - Unchanged from September 30, 2002</u>	<u>\$ 272,500</u>	<u>\$ 272,500</u>

### Note 6. PREPAID EXPENSES

The prepaid expense of \$108,300 as at September 30, 2004 was an advance for exploration work to be undertaken for the Company. During the first quarter ended December 31, 2004, the funds were refunded to the Company.

### Note 7. INCOME TAXES

# **BLUE LIGHTNING VENTURES INC.**

## **Notes to Financial Statements**

**December 31, 2004**

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The Company does not have any income tax liabilities during the current year and, accordingly, no income taxes are recorded. The potential income tax benefits associated with losses incurred by the Company have not been recorded in the accounts as future taxation.

### Note 8. SUBSEQUENT EVENTS

#### Private Placement

On February 16, 2005, as per the private placement announced on December 21, 2004, the Company issued 3 million common shares (units) at a price of \$0.20 per share. Each unit consisted of one common share and one half of a six-month non transferable share purchase warrant. Each full warrant will entitle the holder to acquire an additional common share of the Company for \$0.25. The proceeds of the private placement will be used for mineral property investigation and acquisition costs and general working capital.