

**2004**

**Birim Goldfields Inc.**

.....

*First Quarter  
Interim Report  
June 30, 2004*

---

1155, University Street, Suite 812  
Montreal (Quebec) H3B 3A7  
Tel.: (514) 393-8611 Fax: (514) 393-1158  
e-mail: [info@birim.com](mailto:info@birim.com)  
Web site: [www.birim.com](http://www.birim.com)

## **President's Message**

During the first quarter ended June 30<sup>th</sup>, 2004, Birim's exploration activities on the 7,000 sq. km. Bui District concessions in Ghana have been directed toward increasing the size of the Tombe-Parabu gold zone and advancing other targets to the drill-ready stage.

Results of the reverse circulation ("RC") drilling, which were reported in press releases dated April 26<sup>th</sup> and June 1<sup>st</sup>, 2004, demonstrated the impressive gold-bearing potential of the Birimian lithologies occurring over this large district. RC drilling has been ongoing within the Tombe-Parabu sector and has been successful in increasing the strike length of the Tombe North Gold Zone from 200 to 450 meters. All of these holes were drilled at shallow depths, on average being no more than 45 meters vertically.

RC drilling has also addressed other sectors of the four kilometre long Tombe-Parabu zone and has identified numerous intercepts which allows the Company to be confident about eventually adding value to this area. Detailed sampling has also been undertaken on adjacent anomalies which will certainly lead to additional drilling in this area before the end of the year.

One other area of the Bui District which will be drill tested over the next few months is the Brohani/Namasa target, contained within the Brohani Prospecting License. Reconnaissance RC drilling completed in September 2003, allowed the Company to ascertain the presence of conglomerate beds similar to those hosting the +35 million ounces presently being mined in the Tarkwa District in Ghana.

A 2,000 soil sampling program has just been completed on the Kuri gold prospect, located in the northern part of the Bui Reconnaissance License and where over 100 galamsey (artisanal) miners have been carrying out their informal mining activities over an area covering approximately one square kilometer. This is a very exciting gold target since the galamsey workers have been recovering free gold from a stockwork of quartz veins for generations. Results of the soils sampling program will be available within the next month.

At the Company's Annual Meeting of Shareholders held on August 4<sup>th</sup>, 2004, the Company welcomed Mr. Mackenzie I. Watson, P. Eng., to the Board of Directors of Birim Goldfields. Mr. Watson, President and CEO of Freewest Resources Canada Inc., is widely known and respected in the exploration and mining industry. We look forward working together with Mr. Watson. The Board also wishes to acknowledge the many contributions made by Mr. Peter Bojtos, P. Eng., over the three-year period he has been a Director of the Company. We are grateful for his help and wish him well in his other endeavours.

Denis Simoneau  
President and Chief Executive Officer  
August 12th, 2004

## Birim Goldfields Inc.

### Consolidated Balance Sheets

(unaudited)

	<b>June 30, 2004</b> (unaudited)	<b>March 31, 2004</b> (restated)
<b>Assets</b>		
Current assets		
Cash and term deposits	\$ 2,032,631	\$ 2,859,955
Accounts receivable	34,045	74,051
Prepaid expenses	121,879	133,446
	<u>2,188,555</u>	<u>3,067,452</u>
Prepaid expenses	60,434	83,097
Mining interests	9,491,738	8,398,855
	<u>\$ 11,740,727</u>	<u>\$ 11,549,404</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 392,887	\$ 454,099
Tax payable	-	58,000
	<u>392,887</u>	<u>512,099</u>
<b>Shareholders' Equity</b>		
Warrants (Note 2)	4,994	26,285
Share capital (Note 2)	20,431,588	20,003,973
Stock Options (Note 2)	724,529	482,410
Deficit	<u>(9,813,271)</u>	<u>(9,475,363)</u>
	<u>11,347,840</u>	<u>11,037,305</u>
	<u>\$ 11,740,727</u>	<u>\$ 11,549,404</u>

See accompanying notes

## Birim Goldfields Inc.

### Consolidated Statements of Operations and Deficit (unaudited)

---

	Three-month period ended June 30,	
	2005	2004 (restated)
<b>Interest income and net exchange gain</b>	\$ 82,368	\$ 60,360
<b>Administrative expenses</b>		
Compensation cost	227,868	-
Office and general	54,139	60,161
Travelling and entertainment	53,636	47,611
Professional and consulting fees	28,441	38,687
Salaries and fringe benefits	50,192	38,682
Rent	6,000	6,000
Financial expenses	-	3,138
	420,276	194,279
<b>Net loss</b>	337,908	133,919
<b>Deficit at beginning</b>		
As previously reported	9,075,210	10,172,813
Accounting for the compensation cost pursuant to the new section (Note 1b)	400,153	54,873
As restated	9,475,363	10,227,686
<b>Deficit at end</b>	\$ 9,813,271	\$ 10,361,605
<b>Basic and diluted net loss per share</b>	\$ 0.01	\$ 0.01

See accompanying notes

## Birim Goldfields Inc.

### Consolidated Statements of Cash Flows

(unaudited)

	Three-month period ended June 30,	
	2005	2004 (restated)
<b>Operating activities</b>		
Net loss	\$ (337,908)	\$ (133,919)
Items not affecting cash and cash equivalents		
Compensation cost	227,868	-
Net exchange gain	-	(65,653)
Financial expenses	-	3,138
	<u>(110,040)</u>	<u>(196,434)</u>
Net change in non-cash working capital items		
Accounts receivable	40,006	(7,980)
Prepaid expenses	11,567	-
Accounts payable and accrued liabilities	(61,212)	40,407
Tax payable	(58,000)	-
	<u>(67,639)</u>	<u>32,427</u>
Cash and cash equivalents used in operating activities	<u>(177,679)</u>	<u>(164,007)</u>
<b>Financing activity</b>		
Share capital	<u>399,815</u>	<u>-</u>
Cash and cash equivalents generated from financing activity	<u>399,815</u>	<u>-</u>
<b>Investing activities</b>		
Mineral interests - exploration costs	(1,072,123)	(298,212)
Prepaid expenses	<u>22,663</u>	<u>-</u>
Cash and cash equivalents used in investing activities	<u>(1,049,460)</u>	<u>(298,212)</u>
<b>Net change in cash and cash equivalents</b>	<b>(827,324)</b>	<b>(462,219)</b>
<b>Cash and cash equivalents at beginning</b>	<b><u>2,859,955</u></b>	<b><u>1,819,976</u></b>
<b>Cash and cash equivalents at end</b>	<b><u>\$ 2,032,631</u></b>	<b><u>\$ 1,357,757</u></b>
<b>Cash and cash equivalents are comprised of cash and term deposits.</b>		
<b>Additional information</b>		
Items not affecting cash and cash equivalents related to financing and investing activities		
Stock options granted (mining interest)	\$ 20,760	\$ 8,385
Stock options exercised	\$ (6,509)	\$ -
Warrants exercised	\$ (21,291)	\$ -

See accompanying notes

# Birim Goldfields Inc.

## Notes to Consolidated Financial Statements

(unaudited)

June 30, 2004 and 2003

---

### 1. a) General

The accompanying unaudited consolidated financial statements do not include all the disclosure required by generally accepted accounting principles for annual statements and should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended March 31, 2004, specifically the Note 1 on the Nature of activities and going concern and Note 2 on the Summary of significant accounting policies.

### b) Stock-Based Compensation and Other Stock-Based Payments

On April 1, 2003, the Company adopted retroactively with a restatement for 2004 the new recommendation of Section 3870 of the CICA Handbook entitled "Stock-Based Compensation and Other Stock-Based Payments" under which the costs of options granted to key employees, officers and directors is accounted for as compensation cost under operations. The effect of these new amendments is the increase of the deficit as at March 31, 2003 by \$54,873 and the increase of the mining interests as at June 30, 2003 by \$8,385. In addition, during the year ended March 31, 2004, the Company granted other options to directors and officers.

### 2. Share Capital

#### Authorized

Unlimited number of common shares, without par value.

#### Issued

Variation of issued share capital:

	2005		2004	
	Number of Shares	Amount (restated)	Number of Shares	Amount
Balance at beginning	36,726,204	\$ 20,003,973	35,060,062	\$ 19,372,149
Issued following the exercise of warrants	260,900	112,606	-	-
Issued following the exercise of options	1,175,000	315,009	-	-
Balance at end	38,162,104	\$ 20,431,588	35,060,062	\$ 19,372,149

## Birim Goldfields Inc.

### Notes to Consolidated Financial Statements

(unaudited)

June 30, 2004 and 2003

Page 2

#### 2. Share Capital (cont'd)

##### Common share purchase options

The company has a fixed-price share option plan. Under the Employee, Director and Consultant Share Option Plan, the company may grant options to its key employees, officers, directors and consultants for up to 7,000,000 common shares. Under the plan, the exercise price of each option equals the market price of the company's shares on the date of grant and an option's maximum term is ten years. The number of share options granted is determined by the Board of Directors and the aggregate number of share options granted to any one individual cannot exceed 5% of the issued and outstanding common shares of the company. Options terminate 90 days following the key employee's, officer's or director's date of departure, except in the case of retirement, death or disability, in which case they terminate one year after the event. Options also terminate 90 days following the cancellation of contracts with the consultants. The options are exercisable at any time, unless otherwise specified by the board of directors.

The following table presents the stock option activity since April 1, 2004 and 2003:

	<u>2005</u>		<u>2004</u>	
	<b>Number</b>	<b>Weighted average exercise price \$</b>	<b>Number</b>	<b>Weighted average exercise price \$</b>
Outstanding – Beginning of period	<b>3,325,000</b>	<b>0.52</b>	2,769,000	0.26
Granted	<b>1,000,000</b>	<b>0.54</b>	200,000	0.35
Exercised	<b>(1,175,000)</b>	<b>0.26</b>	-	-
Matured	-	-	-	-
Outstanding - End of period	<b>3,150,000</b>	<b>0.62</b>	2,969,000	0.31

## Birim Goldfields Inc.

### Notes to Consolidated Financial Statements

(unaudited)

June 30, 2004 and 2003

Page 3

#### 2. Share Capital (cont'd)

The following table summarizes information about fixed stock options outstanding and exercisable as at June 30, 2004:

Exercise price	Options outstanding as at June 30, 2004	Weighted average remaining contractual life (years)
\$0.24	100,000	1.00
\$0.25	100,000	2.15
\$0.27	800,000	1.15
\$0.31	50,000 (1)	0.04
\$0.54	1,000,000	1.95
\$1.03	1,100,000 (2)	1.54
	<hr/>	
	3,150,000	2.05

(1) These options expire on July 14, 2004.

(2) Of this number, 150,000 options are not exercisable as at June 30, 2004.

All the other options are exercisable as at June 30, 2004.

#### Options

The fair value of options granted was estimated using the Black-Scholes options pricing model with the following weighted average assumptions :

	2005	2004
Risk-free interest rate	2.99%	3.86 %
Expected volatility	75%	50 %
Dividend yield	Nil	Nil
Weighted average expected life	2 years	2 years
Weighted average cost of option granted	\$0.23	\$0.09

The total compensation cost recorded as expenses for the options granted during the period ended June 30, 2004 is \$227,868 (\$8,385 in 2004 as mining interests) and the amount of \$227,868 (\$8,385 in 2004) has been recorded under the heading Stock Options.

## Birim Goldfields Inc.

### Notes to Consolidated Financial Statements

(unaudited)

June 30, 2004 and 2003

Page 4

#### 2. Share Capital (cont'd)

##### Warrants

The following table presents the warrant activity since April 1, 2004 and 2003 :

	2005		2004	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	2,475,400	0.48	3,397,542	0.46
Granted	-	-	-	-
Exercised	(260,900)	0.35	-	-
Matured	-	-	-	-
Outstanding – End of period	2,214,500	0.49	3,397,542	0.46

The following table summarizes information about warrants outstanding and exercisable as at June 30, 2004:

Exercise price	Warrants outstanding and exercisable as at June 30, 2004	Weighted average remaining contractual life (years)
\$0.35	95,000	0.70
\$0.50	2,119,500	0.12

Subsequently to June 30, 2004, 1,689,000 warrants at \$0.50 and 45,000 warrants at \$0.35 were exercised for a total cash consideration of \$860,500 and 430 000 warrants at \$0.50 expired.

#### 3. Related party transactions

During the period, the company paid \$19,500 (\$15,000 in 2004) in professional fees and \$6,000 (\$6,000 in 2004) in rent, to a company related to a company's officer. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.