

**WINFIELD RESOURCES LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTH PERIOD ENDED  
MARCH 31, 2004**

## **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 consolidated financial statements for the period ended March 31, 2004.

**WINFIELD RESOURCES LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited – Prepared by Management)

	March 31, 2004	December 31, 2003 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 5,753	\$ 24
Accounts receivable	4,828	2,010
Prepaid expenses and deposits	77,693	73,960
Due from shareholder corporation	<u>25,426</u>	<u>2,113</u>
	113,700	78,107
<b>Deferred Expenditures</b>	171,452	120,194
<b>Property and equipment</b> (Note 4)	<u>143,203</u>	<u>120,638</u>
	<u>\$ 428,355</u>	<u>\$ 318,939</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	102,508	\$ 95,527
<b>Shareholders' equity</b>		
Capital stock (Note 6)	1,975,613	1,975,613
Subscriptions received in advance (Note 7)	153,000	-
Contributed surplus (Note 6)	70,400	70,400
Deficit	<u>(1,873,166)</u>	<u>(1,822,601)</u>
	<u>325,847</u>	<u>223,412</u>
	<u>\$ 428,355</u>	<u>\$ 318,939</u>

**On behalf of the Board:**

\_\_\_\_\_ Director \_\_\_\_\_ Director

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

**WINFIELD RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**  
(Unaudited – Prepared by Management)

	Three Month Period Ended March 31, 2004	Three Month Period Ended March 31, 2003
<b>EXPENSES</b>		
Amortization	\$ 175	\$ 218
Bank charges and interest	449	310
Consulting fees	13,500	1,645
Due diligence	5,280	-
Legal and audit	2,100	1,307
Management fees	6,000	6,000
Office and general	5,084	1,709
Public company costs	3,022	3,438
Rent and occupancy costs	<u>16,953</u>	<u>14,915</u>
<b>Loss before other items</b>	<u>(52,563)</u>	<u>(29,542)</u>
<b>OTHER ITEMS</b>		
Gain on foreign exchange	<u>1,998</u>	<u>-</u>
<b>Net loss for the period</b>	(50,565)	(29,542)
<b>Deficit, beginning of period</b>	<u>(1,822,601)</u>	<u>(1,648,852)</u>
<b>Deficit, end of period</b>	<u>\$ (1,873,166)</u>	<u>\$ (1,678,394)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.004)</u>	<u>\$ (0.002)</u>
<b>Weighted average number of common shares outstanding</b>	<u>13,677,853</u>	<u>13,077,853</u>

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

**WINFIELD RESOURCES LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Unaudited – Prepared by Management)

	Three Month Period Ended March 31, 2004	Three Month Period Ended March 31, 2003
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (50,565)	\$ (29,542)
Items not affecting cash flow		
Amortization	175	218
Gain on foreign exchange	(1,998)	-
Net change in non-cash working capital	<u>1,170</u>	<u>(182)</u>
Net cash used in operating activities	<u>(51,218)</u>	<u>(29,506)</u>
<b>FINANCING ACTIVITIES</b>		
Advances to/from related party	(23,313)	18,665
Share subscriptions received in advance	<u>153,000</u>	<u>-</u>
Net cash provided by financing activities	<u>129,687</u>	<u>18,665</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of mineral property	(15,000)	-
Deferred expenditures	(50,000)	-
Due diligence on mineral properties	<u>(7,740)</u>	<u>-</u>
Net cash used in investing activities	<u>(72,740)</u>	<u>-</u>
<b>Change in cash for the period</b>	5,729	(10,841)
<b>Cash, beginning of period</b>	<u>24</u>	<u>10,978</u>
<b>Cash, end of period</b>	<u>\$ 5,753</u>	<u>\$ 137</u>

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

**WINFIELD RESOURCES LIMITED**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
MARCH 31, 2004

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**1. BASIS OF PRESENTATION**

The consolidated financial statements include the accounts of the Company and its wholly owned Bahamian Subsidiary, Macallan Inc. Macallan Inc. has not undertaken any business activity to date.

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

**2. NATURE OF OPERATIONS**

The Company is a public corporation incorporated under the British Columbia Company Act on June 19, 1987. On August 2, 2000, the Corporation completed its initial public offering and its shares were listed on the TSX Venture Exchange. The Company's primary focus is the evaluation, acquisition, exploration and development of resource properties.

These financial statements have been prepared in accordance with 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.

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	March 31, 2004	December 31, 2003
		(Audited)
Deficit	\$ (1,873,166)	\$ (1,822,601)
Working capital (deficiency)	11,192	(17,420)

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**3. LOSS PER SHARE**

Loss per share is calculated using the weighted average number of shares outstanding during the period.

**WINFIELD RESOURCES LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
**MARCH 31, 2004**

**4. PROPERTY AND EQUIPMENT**

**Mineral Property Costs:**

<b>2004</b>	Algeria	Atlin, BC	Ringo, MB	Total
Acquisitions, Opening balance, January 1, 2004	\$ -	\$ -	\$ 72,500	\$ 72,500
Exploration costs, Opening balance, January 1, 2004	-	-	44,646	44,646
Claim/lease	-	15,000	-	15,000
Due diligence	<u>5,832</u>	<u>1,908</u>	<u>-</u>	<u>7,740</u>
Changes during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,740</u>
Balance, March 31, 2004	\$ 5,832	\$ 16,908	\$ 117,146	\$ 139,886

*Ringo Property*

The Ringo Property is located within the main camp of the Flin Flon Greenstone Belt, one of the most prolific copper-zinc-silver-gold volcanogenic massive sulphide mining districts in the world. Over 148 million tonnes of copper-zinc massive sulphide ore has been mined or is part of the inventory of thirty past producing or producing mines situated within the belt. The Ringo Property is located 5 km east of the Hudson Bay Mining and Smelting's past-producing Flin Flon Mine (62.4Mt @ 2.19% copper and 4.20% zinc), producing Callinan Mine (7 Mt @ 0.60% copper and 10.94% zinc), and 777 Mine Development Project (14.5 Mt @ 2.55% copper and 4.20% zinc). The property is also just 4 km south of the producing Trout Lake Mine (20 Mt @ 1.79% copper and 4.20% zinc). The host volcanic stratigraphy of Trout Lake Mine is believed to strike south onto the Ringo Property.

The Ringo Drill Program will test the down dip extension of a laterally extensive and exposed mineralized horizon located parallel to, and just west of the Ringo Property boundary. The mineralized horizon dips east onto the Ringo Property. Assays containing up to 125 zinc were obtained from samples of the horizon intersected by shallow drill holes collared just west of the Ringo Property. Some of Winfield's drill holes are planned to intersect the mineralized horizon down dip from these high zinc-bearing intervals. Other holes are planned to intersect potential extensions of these intersections at depth.

Grab samples from other portions of the mineralized horizon on the Ringo Property collected by the Company's geological consultant ran up to 3000 ppm copper.

The Company is in the process of raising additional financing to proceed with a five hole – 2000 meter diamond drilling program on the Ringo property.

**WINFIELD RESOURCES LIMITED**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
MARCH 31, 2004

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**4. PROPERTY AND EQUIPMENT (cont'd...)**

*Algeria*

The Company is currently conducting due diligence on various mineral, oil and natural gas projects in Algeria.

*Atlin Property*

On January 16, 2004, the Company paid \$15,000 to Jason Heywood for a 25% interest in the direct ownership of gold mineral claims located in the Atlin Mining District of British Columbia. The Company now has an interest in four post claims of 20 units (each unit is 500m X 500m) and two post claims (each is 500m X 500m).

**Office Equipment**

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Historical cost	\$ 6,824
Less: accumulated amortization	<u>(3,507)</u>
Net book value, March 31, 2004	<u>\$ 3,317</u>

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**5. WELL DEVELOPMENT PROGRAM**

The Corporation entered into an Agreement (amended as of April 29, 2004) with Rideau Petroleum Ltd. (Rideau) with respect to a five well development program to be carried out in the Daly Field in southwestern Manitoba. Rideau will act as operator for the program.

The Corporation will be responsible for 50% of the drilling and completion costs related to the program. In return, the Corporation will receive net working interests of 50% on two wells, 30% on two wells and 40% on one well. These interests revert, after payout to, 30% on two wells, 18% on two wells and 24% on one well. All production from the wells will be subject to lessor royalties of 12.5% to 16%, with one well on a sliding scale commencing at 15% and reducing to 5% over a ten year period.

The Corporation's costs with respect to the program are expected to be \$522,000. It intends to finance the program with the proceeds of a private placement.

Terms of the Agreement require the Corporation to issue, to Rideau, 100,000 common shares at a deemed price of \$0.135 per share. A finders fee will be payable to another, arms length party. These payments are subject to the policies of the TSX Venture Exchange.

On March 3, 2004, the Company advanced \$50,000 to Rideau. These funds will be used for upcoming drilling and completion costs and have been recorded in deferred expenditures.

**WINFIELD RESOURCES LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
**MARCH 31, 2004**

**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized 250,000,000 common shares without par value			
Issued			
Balance as at December 31, 2003	13,677,853	\$ 1,975,613	\$ 70,400
No change during the period	-	-	-
Balance as at March 31, 2004	13,677,853	\$ 1,975,613	\$ 70,400

**7. SUBSCRIPTIONS RECEIVED IN ADVANCE**

On January 5, 2004, the Company received \$168,000 for a subscription to purchase 1,680,000 flow-through units at \$0.10 per unit. Each unit consists of one common share and a warrant to purchase an additional common share at an exercise price of \$0.18 per share for a period of 12 months from closing of the private placement.

**8. STOCK OPTIONS**

**Options**

The Corporation has established a Stock Option Plan for the benefit of directors, officers and employees. Under the Plan, the directors may reserve, from treasury, a number of shares not exceeding 10% of the issued and outstanding common shares of the Corporation for the granting of options to designated recipients.

At March 31, 2004, the Company had the following stock options available:

	Number of Options Available	Exercise Price	Expiry Date
	200,000	\$ 0.25	August 2, 2005
	100,000	0.25	March 18, 2007
	<u>200,000</u>	0.25	July 24, 2007
<b>TOTAL</b>	<b>500,000</b>		

**WINFIELD RESOURCES LIMITED**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
MARCH 31, 2004

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**9. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

Paid or accrued management fees of \$6,000 (2003 - \$6,000) to a shareholder corporation which is controlled by a director of the Company.

Paid or accrued consulting fees of \$Nil (2003 - \$600) to a corporation controlled by a director of the Company.

The \$Nil (2003 - \$64,023) due to a shareholder corporation is non-interest bearing and has no formal terms of repayment.

The \$25,426 (2003 - \$Nil) due from a shareholder corporation is non-interest bearing and has no formal terms of repayment.

**10. SEGMENTED INFORMATION**

The Company conducts all of its operations in North America in one business segment but is conducting due diligence with the intent of expanding outside of North America.

**11. SUBSEQUENT EVENTS**

On May 10, 2004, the Company announced that it intends to conduct a private placement for a maximum of \$500,000. The private placement will consist of a maximum of 5,000,000 units at a price of \$0.10 per unit with each unit consisting of one common share and a warrant to purchase an additional common share at an exercise price of \$0.18 per share for a period of 12 months from closing. The proceeds from the private placement will be used for the development program on the Daly Field located in southern Manitoba.

Finders fees may be payable on the private placement in accordance with the policies of the TSX Venture Exchange.

The private placement is subject to regulatory approval.

On January 5, 2004, the Company received subscriptions in the amount of \$168,000 with respect to this private placement.

**WINFIELD RESOURCES LIMITED**  
**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**THREE MONTH PERIOD ENDED MARCH 31, 2004**

The following discussion and analysis, prepared as of May 31, 2004, should be read together with the unaudited consolidated financial statements for the three month period ended March 31, 2004 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements for the year ended December 31, 2003 and 2002, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Description of Business**

The Company is a public corporation incorporated under the British Columbia Company Act on June 19, 1987. On August 2, 2000, the Corporation completed its initial public offering and its shares were listed on the TSX Venture Exchange. The Company's primary focus is the evaluation, acquisition, exploration and development of resource properties.

## **Performance Summary**

The following is a summary of significant events and transactions that occurred during the period:

1. In January of 2004, the Company paid \$15,000 to Jason Heywood for a 25% interest in the direct ownership of gold mineral claims located in the Atlin Mining District of British Columbia.
2. In January of 2004, the Company received \$168,000 for a subscription to purchase 1,680,000 flow-through units at \$0.10 per unit. Each unit consists of one common share and a warrant to purchase an additional common share at an exercise price of \$0.18 per share for a period of 12 months from closing of the private placement.
3. In February and March of 2004, the Company paid \$5,832 for due diligence on various mineral, oil and natural gas projects in Algeria.

## Selected Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements.

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Total revenues	\$ 9	\$ 155	\$ 214
Net loss before extraordinary items	173,749	390,014	160,418
Net loss	173,749	424,856	217,126
Basic and diluted loss per share	(0.013)	(0.034)	(0.018)
Total assets	318,939	365,287	233,212
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

The Company earns interest revenue from cash held in banks.

During the fiscal year ended 2001, the Company decided to write-down a mineral property by \$56,708 as it was determined that it had no commercial value resulting in a decrease in total assets and an increase in net loss.

During the 2002 fiscal year end, the Company decided to write-down a mineral property by \$37,000 as it was determined that it had no commercial value. The Company also realized a \$2,158 gain on expropriation of a mineral property during 2002. These two transactions resulted in an overall decrease in total assets and an increase in net loss.

The Company's accounting policy is to record its mineral properties at cost. Exploration and development expenditures relating to mineral properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

## Results of Operations

The Company incurred a loss of \$50,565 (2003 - \$29,542) during the period. Some of the significant expenses are as follows: paid or accrued \$449 (2003 - \$310) in bank charges and interest, \$13,500 (2003 - \$1,645) in consulting fees, \$5,280 (2003 - \$Nil) in due diligence costs, \$2,100 (2003 - \$1,307) in legal and audit, \$6,000 (2003 - \$6,000) in management fees, \$3,022 (2003 - \$3,438) in public company costs, and \$16,953 (2003 - \$14,915) in rent and occupancy costs.

The current period consulting fees were considerably higher than the previous period because the Company hired qualified experts to conduct due diligence on several projects throughout the world.

Due diligence fees increased during the period as the Company hired a geologist to evaluate several properties in Western Canada.

## Summary of Quarterly Results

	Three Months Ended March 31, 2004	Three Months Ended December 31, 2003	Three Months Ended September 30, 2003	Three Months Ended June 30, 2003
Total assets	\$ 428,355	\$ 318,939	\$ 321,702	\$ 337,016
Mineral properties and deferred costs	311,338	237,340	241,888	251,501
Working capital (deficiency)	11,192	(17,420)	(1,112)	(64,822)
Shareholders' equity	325,847	223,412	244,486	190,607
Revenues	1,998	9	-	9
Net Loss	(50,565)	(46,074)	(46,121)	(52,012)
Earnings (loss) per share	(0.004)	(0.003)	(0.003)	(0.004)

	Three Months Ended March 31, 2003	Three Months Ended December 31, 2002	Three Months Ended September 30, 2002	Three Months Ended June 30, 2002
Total assets	\$ 355,694	\$ 365,287	\$ 478,221	\$ 493,314
Mineral properties and deferred costs	251,501	251,501	259,851	259,851
Working capital (deficiency)	(38,028)	(8,705)	76,044	113,775
Shareholders' equity	217,619	247,161	340,533	378,537
Revenues	-	155	2,960	-
Net Income (loss)	(29,542)	(279,822)	(40,964)	(42,641)
Earnings (loss) per share	(0.002)	(0.019)	(0.003)	(0.003)

Significant changes in key financial data from 2004 to 2002 can be attributed to the following:

- During the 2004 fiscal year, deferred expenditures increased by \$50,000 for an advance given to the Company's joint venture partner, Rideau Petroleums, to begin work in the Daly Field.
- During the 2004 fiscal year, consulting fees increased because the Company hired qualified experts to conduct due diligence on several projects throughout the world.
- During the 2002 fiscal year, the net loss increased significantly as a result of recognizing \$187,700 in stock-based compensation expense on options granted.
- During the 2002 fiscal year, prepaid expenses increased significantly as a result of a prepaid investor relations contract in the amount of \$73,145.
- During the 2002 fiscal year, deferred expenditures increased by \$124,355 representing the prepayment of a fee for services to be provided with respect to the identification and acquisition of resource properties.
- During the 2002 fiscal year, the Company determined that there was no commercial value to a property on which it had expended \$37,000 and the property was abandoned.

## Liquidity

The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	March 31, 2004	December 31, 2003
		(Audited)
Working capital (deficiency)	\$ (1,873,166)	\$(1,822,601)
Deficit	11,192	(17,420)

Net cash used in operating activities for the three month period ended March 31, 2004 was \$51,218 compared to \$29,506 during the three month period ended March 31, 2003. The cash used in operating activities for the period consists primarily of the operating loss and a change in non-cash working capital.

Net cash used for investing activities for the three month period ended March 31, 2004 was \$72,740 compared to net cash provided by investing activities of \$Nil during the three month period ended March 31, 2003. Cash used during the current period consists primarily of a \$15,000 payment to purchase a 25% interest in a mineral property and a \$50,000 advance to Rideau Petroleum to proceed with drilling on the Daly Field.

Financing activities provided cash of \$129,687 during the three month period ended March 31, 2004, compared to \$18,665 for the three month period ended March 31, 2003. Cash provided during the current period consisted of share subscriptions received in advance for 1,680,000 flow-through units at \$0.10 per unit and advances of \$23,313 to a shareholder corporation.

## Capital Resources

The Company received \$168,000 for a subscription to purchase 1,680,000 flow-through units at \$0.10 per unit. Each unit consists of one common share and a warrant to purchase an additional common share at an exercise price of \$0.18 per share for a period of 12 months from closing of the private placement.

## Related Party Transactions

The Company entered into the following transactions with related parties:

Paid or accrued management fees of \$6,000 (2003 - \$6,000) to a shareholder corporation which is controlled by a director of the Company.

Paid or accrued consulting fees of \$Nil (2003 - \$600) to a corporation controlled by a director of the Company.

The \$Nil (2003 - \$64,023) due to a shareholder corporation is non-interest bearing and has no formal terms of repayment.

The \$25,426 (2003 - \$Nil) due from a shareholder corporation is non-interest bearing and has no formal terms of repayment.

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.

## **Financial Instruments**

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and an amount due from a shareholder corporation. The Company's management has utilized valuation methodologies available as at the year-end and has determined that the carrying amounts of such financial instruments approximate their fair value in all cases.

The Corporation is not exposed to significant credit risk or interest rate risk.

## **Subsequent Events**

On May 10, 2004, the Company announced that it intends to conduct a private placement for a maximum of \$500,000. The private placement will consist of a maximum of 5,000,000 units at a price of \$0.10 per unit with each unit consisting of one common share and a warrant to purchase an additional common share at an exercise price of \$0.18 per share for a period of 12 months from closing. The proceeds from the private placement will be used for the development program on the Daly Field located in southern Manitoba.

Finders fees may be payable on the private placement in accordance with the policies of the TSX Venture Exchange.

The private placement is subject to regulatory approval.

On January 5, 2004, the Company received subscriptions in the amount of \$168,000 with respect to this private placement.