

FIRST GOLDWATER RESOURCES INC.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2004
(Unaudited)

FIRST GOLDWATER RESOURCES INC.
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited)
March 31, 2004 and December 31, 2003

	<u>ASSETS</u>	<u>March 31, 2004</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2003</u> <u>(audited)</u>
Current			
Cash		\$ 3,505	\$ 4,764
Accounts receivable		-	-
GST receivable		3,881	4,200
		<hr/>	<hr/>
		7,386	8,964
Resource property costs – Note 3 and Schedule 1		27,000	37,000
Capital assets, net – Note 4		1,380	1,452
		<hr/>	<hr/>
		\$ 35,766	\$ 47,416
		<hr/> <hr/>	<hr/> <hr/>

LIABILITIES

Current			
Accounts payable and accrued liabilities		\$ 64,507	\$ 30,130
Due to affiliated company – Note 6		7,500	-
		<hr/>	<hr/>
		72,007	30,130
		<hr/>	<hr/>

SHAREHOLDERS' EQUITY (DEFICIENCY)

Share capital – Notes 5 and 8		6,480,886	6,480,886
Deficit		(6,517,127)	(6,463,600)
		<hr/>	<hr/>
		(36,241)	17,286
		<hr/>	<hr/>
		\$ 35,766	\$ 47,416
		<hr/> <hr/>	<hr/> <hr/>

Nature and Continuance of Operations – Note 1
Commitments – Note 5
Subsequent Events – Note 8

APPROVED BY THE DIRECTORS:

“Thomas Pressello”

_____, Director

“John Greenslade”

_____, Director

SEE ACCOMPANYING NOTES

FIRST GOLDWATER RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
For the three months ended March 31, 2004 and March 31, 2003

	<u>First Quarter</u> <u>ended</u> <u>March 31, 2004</u>	<u>First Quarter</u> <u>ended</u> <u>March 31, 2003</u>
Revenues		
Oil and gas income, net	\$ 15,500	\$ 17,013
Expenses		
Amortization of capital assets	72	30,476
Amortization and depletion of resource property costs	10,000	-
Bank charges and interest	66	10,888
Consulting fees – Note 6	27,500	1,111
Filing fees	5,373	2,194
Investor relations	9,000	-
Legal fees	35	2,000
Office and printing	2,430	(996)
Rent and administration – Note 6	12,000	867
Shareholder information	355	-
Subcontract accounting	870	-
Telephone	394	-
Transfer agent fees	932	-
	<u>69,027</u>	<u>46,540</u>
Loss before other items	(53,527)	(29,527)
Other items		
Write-off of loans receivable	-	(57,796)
Net loss for the period	(53,527)	(87,323)
Deficit, beginning of the period	(6,463,600)	(6,156,183)
Deficit, end of the period	<u>\$ (6,517,127)</u>	<u>\$ (6,243,506)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.09)</u>

SEE ACCOMPANYING NOTES

FIRST GOLDWATER RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2004 and March 31, 2003

	<u>First Quarter</u> <u>ended</u> <u>March 31, 2004</u>	<u>First Quarter</u> <u>ended</u> <u>March 31, 2003</u>
Operating Activities		
Net loss for the year	\$ (53,527)	\$ (87,323)
Items not involving period:		
Amortization of capital assets	72	30,476
Amortization and depletion of resource property costs	10,000	-
Write-off of loans receivable	-	57,796
	<hr/>	<hr/>
	(43,455)	949
Changes in non-cash working capital accounts:		
Accounts receivable	-	383
GST receivable	319	-
Accounts payable and accrued liabilities	34,377	(1,758)
	<hr/>	<hr/>
	(8,759)	(426)
Financing Activities		
Increase (decrease) in amounts due to affiliated company	7,500	-
	<hr/>	<hr/>
	7,500	-
Investing Activities		
	<hr/>	<hr/>
	-	-
Increase (decrease) in cash during the period	(1,259)	(426)
Cash, beginning of the period	4,764	636
Cash, end of the period	<hr/> <u>\$ 3,505</u>	<hr/> <u>\$ 210</u>
Supplementary information;		
Interest paid	<hr/> <u>\$ -</u>	<hr/> <u>\$ 10,775</u>

SEE ACCOMPANYING NOTES

FIRST GOLDWATER RESOURCES INC.
SCHEDULE OF RESOURCE PROPERTY COSTS
for the three months ended March 31, 2004 and the year ended December 31, 2003

	Pioneer Canal 61-9 USA	Pioneer Canal 12-10 USA	March 31 2004 Total	December 31 2003 Total
Balance, beginning of year	\$ 37,000	\$ -	\$ 37,000	\$ 70,000
Acquisition Costs				
Cash	-	-	-	-
Deferred Exploration Costs				
Drilling and field costs	-	-	-	-
Land lease	-	-	-	-
Management	-	-	-	-
Capital Assets				
Pipeline	-	-	-	-
Amortization and depletion	(10,000)	-	(10,000)	(33,000)
Other				
Write-off of resource property costs	-	-	-	-
Recovery of costs	-	-	-	-
Proceeds from sale	-	-	-	-
Balance, end of the period	\$ 27,000	\$ -	\$ 27,000	\$ 37,000

FIRST GOLDWATER RESOURCES INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2004 and December 31, 2003

Note 1 Nature and Continuance of Operations

The Company is in the development stage, was incorporated on July 15, 1985, under the Company Act of British Columbia and its common shares are publicly traded on the TSX Venture Exchange.

These financial statements have been prepared in accordance with 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 accumulated losses of \$6,517,127 since inception. The Company's ability to meet its obligations and maintain its operations is contingent upon successful completion of additional financing arrangements and/or the ability to generate profitable operations in the future.

The Company has changed its fiscal year end from May 31 to December 31. Accordingly, these interim financial statements are for the first quarter subsequent to the December 31 year-end.

Note 2 Summary of Significant Accounting Policies

These interim consolidated financial statements are unaudited and are not reviewed by our auditors.

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. The preparation of financial data is based on accounting policies and practices consistent with those used in the annual audited financial statements. These interim consolidated financial statements do not include all the disclosures included in the Company's annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's annual financial statements.

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgement. Actual results may differ from these estimates.

The interim financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Oil and Gas Properties and Depletion

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are initially capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition and exploration activities.

Costs capitalized, together with the costs of production equipment, are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves as determined by independent petroleum engineers. Petroleum products and

Note 2 Summary of Significant Accounting Policies – (cont'd)

reserves are converted to a common unit of measure, using 6 MCF of natural gas to one barrel of oil.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

Proceeds from a sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would alter the rate of depletion by more than 20%. Royalties paid net of any tax credits received are netted with oil and gas sales.

In applying the full cost method, the Company performs a ceiling test on properties which restricts the capitalized costs less accumulated depletion from exceeding an amount equal to the estimated undiscounted value of future net revenues from proved oil and gas reserves, as determined by independent engineers, based on sales prices achievable under existing contracts and posted, average reference prices in effect at the end of the year and current costs, and after deducting estimated future general and administrative expenses, production related expenses, financing costs, future site restoration costs and income taxes.

(b) Fair Market Value of Financial Instruments

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate fair value because of the short-term maturity of those instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(c) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the balance sheet. Gains or losses are included in income of the year. Non-monetary assets, liabilities and other items recorded in income arising from transactions denominated in foreign currencies, are translated at rates of exchange in effect at the date of the transaction.

(d) Basic and Diluted Loss Per Share

Basic earnings (loss) per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted

Note 2 Summary of Significant Accounting Policies – (cont'd)

amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

(e) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

(f) Marketable Securities

Marketable securities are valued at the lower of cost and market value.

(g) Stock-based Compensation

The Company has a stock-based compensation plan as disclosed in Note 5, whereby stock options are granted in accordance with the policies of regulatory authorities. The Company applies the “settlement method” of accounting for stock-based compensation awards. No compensation expense is recognized for those options when issued to employees and directors. Any consideration paid by employees and directors upon exercise of stock options is credited to share capital.

Effective for fiscal years beginning on or after January 1, 2002, public companies are required to adopt the new recommendations of the Canadian Institute of Chartered Accountants regarding accounting for Canadian Stock-based Compensation. These new requirements require that all stock based payments to non-employees and direct awards of stock to employees be accounted for using a fair value based method of accounting. However, the new standard permits the Company to continue its existing policy of not recording compensation cost on the grant of stock options to employees with the addition of pro forma information. The Company has elected to apply the pro forma disclosure provisions of the new standard to awards granted on or after June 1, 2002.

(h) Principles of Consolidation

On September 17, 2003, the Company incorporated a wholly owned Nevada subsidiary, Goldwater Energy Inc. and transferred the Pioneer Canal 61-9 oil and gas well into the subsidiary. The consolidated financial statements as at March 31, 2004 include the accounts of the Company and its subsidiary. All significant inter-company transactions and balances have been eliminated on consolidation.

Note 3 Resource Property Costs – Note 8

Oil and Gas Properties

(a) Kern County, USA, Pioneer Canal 61-9 Prospect

During the year ended May 31, 1998, the Company entered into an option agreement whereby the Company earned a 27.93% working interest in the Pioneer Canal 61-9 Prospect, located in Kern County, California.

The Company's working interest was reduced to 18.99% when the cash investment was recovered from the net production proceeds. The Company has the right to participate in further wells drilled on the property.

On February 6, 1999, the oil and gas well commenced production. The working interest is subject to a total royalty burden of 22.5% and an ad valorem tax of 1.5%.

	<u>March 31,</u>	<u>December 31,</u>
	<u>2004</u>	<u>2003</u>
Acquisition costs	\$ 229,442	\$ 229,442
Drilling	131,359	131,359
Engineering	7,440	7,440
Finder's fee	35,659	35,659
Reports and mapping	7,457	7,457
Surface equipment	249,014	249,014
	<u>660,371</u>	<u>660,371</u>
Accumulated depletion	(633,371)	(623,371)
Total	<u>\$ 27,000</u>	<u>\$ 37,000</u>

Subsequently on April 26, 2004, the Company disposed of the Pioneer Canal 61-9 oil and gas well held by its subsidiary to a privately held company owned by a former director of the Company.

(b) Kern County, USA, Pioneer Canal 12-10 Prospect

During the year ended May 31, 2000, the Company entered into an option agreement whereby the Company earned a 27.83% working interest in the Pioneer Canal 12-10 Prospect, located in Kern County, California. The Company's working interest was reduced to 18.87% when the cash investment was recovered from the net production proceeds.

During the year ended May 31, 2003, the Company sold the remaining 5% working interest in the Pioneer Canal 12-10 Prospect for \$3,745. Property costs of \$102,523 were included in write-off of resource property costs in the fiscal year ended May 31, 2003.

Note 3 Resource Property Costs –(cont'd)

(c) Pioneer Canal Pipeline, Kern County, USA

On May 15, 2001, the Company entered into a joint venture operating agreement whereby the Company earned a 15.158% interest in Pioneer Canal Pipeline (the “Pipeline”) located in Kern County, California.

During the year ended May 31, 2003, management of the Company abandoned its interest in the Pipeline and has written-off resource property costs of \$20,598.

(d) Travis Gas Project, Solano County, USA

During the year ended May 31, 2001, the Company acquired, from a company with directors in common, a 1.5% working interests in wells located in Solano County, USA. During the year ended May 31, 2003, the Company abandoned the Pale Rider 3-26 well and has written-off \$55,259

(e) Green Ranch Project, Stephens County, USA

On February 4, 2002, the Company entered into an operating agreement whereby it acquired a 5% working interest and 3.9% net revenue interest in the initial Z-1 well, located in Stephens County, Texas. The Company has the right to participate in further wells drilled on the property by paying its proportionate percentage of the Project costs. For the year ended May 31, 2003 net operating costs were \$1,516 on this property.

During the year ended May 31, 2003, management of the Company abandoned its interest in the well and has written-off resource property costs of \$30,050.

Note 4 Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	March 31 2004 <u>Net</u>	December 31 2003 <u>Net</u>
Furniture and fixtures	\$ 1,613	\$ 233	\$ 1,380	\$ 1,452
	<u>\$ 1,613</u>	<u>\$ 233</u>	<u>\$ 1,380</u>	<u>\$ 1,452</u>

Note 5 Share Capital – (See also subsequent event-Note 8)

a) Authorized:

200,000,000 common shares without par value

b) Issued:

		<u>Number</u>	<u>\$</u>
Balance, May 31, 2002		16,258,186	5,934,267
For cash:			
Pursuant to the exercise of share purchase options	\$0.11	125,000	13,750
Pursuant to the exercise of share purchase warrants	\$0.10	150,000	15,000
Cancellation of escrow shares		(274,807)	-
		<u>16,258,379</u>	<u>5,963,017</u>
Rollback of share capital 16:1		(15,242,230)	-
Balance, May 31, 2003		1,016,149	5,963,017
For cash:			
Pursuant to a private placement	\$0.10	5,000,000	500,000
Share entitlement correction		5	-
Pursuant to the exercise of share purchase warrants	\$0.13	137,450	17,869
		<u>6,153,604</u>	<u>6,480,886</u>
Balance, December 31, 2003 and March 31, 2004		<u>6,153,604</u>	<u>6,480,886</u>

c) Commitments:

i) Share Purchase Options

From time to time, the Company grants share purchase options to directors and employees to purchase common shares of the Company at market related prices. Information regarding the Company's outstanding share purchase options is summarized below:

	<u>Number</u>	<u>Weighted Average Price</u>
Balance, May 31, 2002	1,488,950	\$ 0.19
Granted	-	-
Cancelled or expired	(1,363,950)	0.19
Exercised	(125,000)	0.11
	<u>-</u>	<u>\$ -</u>
Balance, May 31, 2003	-	-
Granted-October 1, 2003	260,000	0.22
	<u>260,000</u>	<u>\$ 0.22</u>
Balance, March 31, 2004	<u>260,000</u>	<u>\$ 0.22</u>

Note 5 Share Capital – (cont'd)

As at March 31, 2004, options were outstanding entitling directors and employees to purchase 260,000 common shares at \$0.22 per share until October 1, 2005.

As disclosed in its accounting policies note, the Company does not record \$49,400 on the granting of stock options to employees and director. Disclosure of pro forma loss and loss per share had the Company elected to follow the fair value method using the Black-Scholes option pricing model is as follows:

	<u>Three months ended March 31, 2004</u>	<u>Seven months ended December 31 2003</u>
Loss for the period as reported	\$ (53,527)	\$ (92,653)
Pro forma loss for the period	\$ (102,927)	\$ (142,063)
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)
Pro forma basic and diluted loss per share	\$ (0.02)	\$ (0.04)

The following assumptions were used for the Black-Scholes model:

Risk free interest rate	3.14%
Dividend yield	0%
Expected volatility	198.5%
Weighted average expected stock option life	2 years

ii) Share Purchase Warrants

At March 31, 2004, there were 4,862,550 share purchase warrants outstanding. Each warrant entitles the holders thereof the right to purchase one common share for \$0.13 per share until July 11, 2005.

Note 6 Related Party Transactions

- (a) The Company incurred the following transactions with directors and former directors or officers of the Company or with companies with directors or officers in common:

	<u>Three months</u> <u>ended March</u> <u>31, 2004</u>	<u>Three months</u> <u>ended March</u> <u>31, 2003</u>
Consulting fees	\$ 27,500	\$ 1,111
Office and printing	-	2,000
Rent	12,000	-
	<u>\$ 39,500</u>	<u>\$ 3,111</u>

The charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

- a) At March 31, 2004 and December 31, 2003, the Company had the following amounts due to a company with directors in common:

	<u>March 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
Accounts receivable	\$ -	\$ -
Due to affiliated company	\$ (7,500)	\$ -

Note 7 Segmented Information

Geographic Information

Revenues were derived from oil and gas sales in the United States.

The Company's non-current assets in geographic locations are as follows:

	<u>March 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
Canada	\$ 1,380	\$ 1,452
United States	27,000	37,000
	<u>\$ 28,380</u>	<u>\$ 38,452</u>

Note 8 Subsequent Events

a) Reverse Takeover of Mintec International Corporation

Pursuant to a letter agreement dated December 2, 2003 and amended February 12, 2004 and March 8, 2004 the Company purchased 100% of the issued and outstanding shares of Mintec International Corporation (“Mintec”) from its shareholders, in consideration for the issuance of 40,000,000 common shares of the Company. The share exchange results in a change of control of the Company. This transaction will be accounted for as a purchase transaction, on a reverse take-over basis (“RTO”).

Mintec is a privately held company in the business of mineral exploration and development. Mintec is the beneficial shareholder of all the issued and outstanding shares of Mineral Metalurgical del Boleo S.A.de C.V.(“MMB”), a Mexican company that holds a 100% registered and beneficial interest in Boleo copper-cobalt-zinc mineral deposit (the “Boleo Property”).

On April 20, 2004 the RTO was completed and the Company will focus on the ongoing development of the Boleo property.

b) Discontinuation of the Pioneer Canal 61-9 Oil and Gas Well

On April 26, 2004, the Company disposed of the Pioneer Canal 61-9 oil and gas well to a private company owned by a former director through transfer of all the issued and outstanding shares of its wholly owned subsidiary, Goldwater Energy Inc. to the private company. The purpose of the disposition was to enable the Company to focus on the development of the Boleo property.

c) Equity Financing

In connection with the acquisition of Mintec, the Company completed a brokered private placement of 10,666,667 units at \$0.75 per unit on April 20, 2004. Each unit consists of one common share and one half warrant. Each whole warrant is exercisable for a period of five years at \$1.15 per share. A commission of \$480,000 cash and 533,333 Agents warrants plus sponsorship fees of \$48,000 were paid. Each Agent’s Warrant entitles the Agent to acquire an additional share at \$0.75 per share up to October 19, 2005.

In addition, the Company completed a public offering of 2,666,667 units at \$0.75 per unit. Each unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of five years at \$1.15. A commission of \$84,473 cash, 87,370 units(at same terms with the public offering) and 133,333 Agent’s Warrants plus fees of \$10,000 were paid. Each Agent’s Warrant entitles the Agent to acquire an additional share at \$0.75 per share up to October 19, 2005.