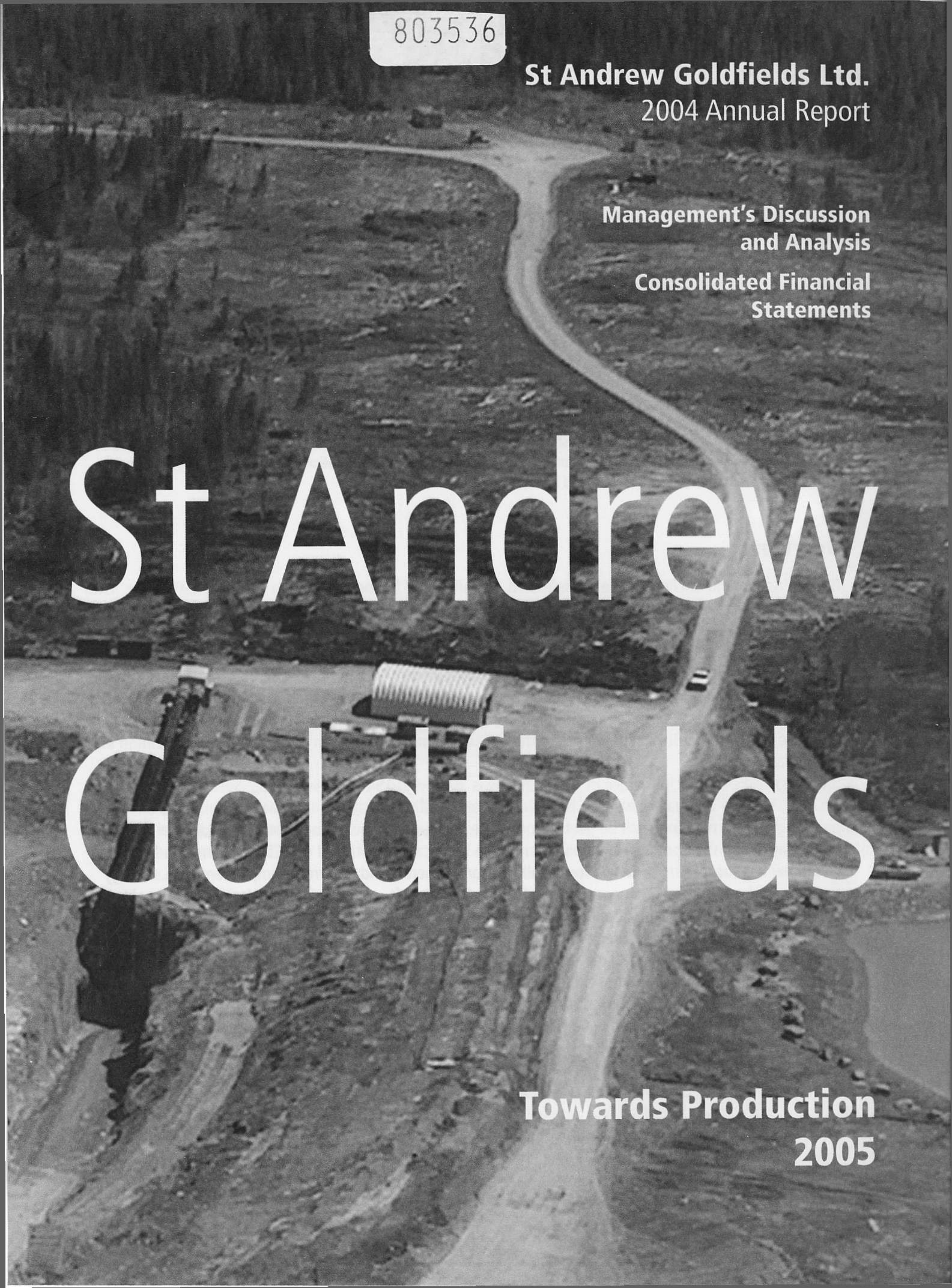

St Andrew Goldfields Ltd.

2004 Annual Report

Management's Discussion and Analysis

Consolidated Financial Statements

St Andrew Goldfields

Towards Production 2005

Management's Discussion and Analysis of Financial Condition and Results of Operations

(All amounts stated in Canadian dollars unless otherwise indicated)

Management's discussion and analysis should be read in conjunction with the Consolidated Financial Statements, and is intended to provide the reader with a review of the factors that affected the Company's performance during the fiscal year ended December 31, 2004 and the factors reasonably expected to impact future operations and results as prepared on March 24, 2005.

Forward-Looking Information

When used in this document, words such as "estimate", "expect", "anticipate" and "believe" and similar expressions are intended to identify forward-looking statements. Such statements are used to describe management's future plans, objectives, and goals for St Andrew Goldfields Ltd. ("St Andrew", or the "Company") and therefore involve inherent risks and uncertainties. The reader is cautioned that actual results, performance or achievements may be materially different from those implied or expressed in such statements. St Andrew Goldfields Ltd. undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or such factors which affect this information, except as required by law.

Overview

This discussion and analysis of the consolidated operating and financial condition of St Andrew for the fiscal periods ended December 31, 2004, December 2003 and December 2002 should be read in conjunction with the respective Consolidated Financial Statements and related notes.

St Andrew is incorporated under the laws of the Province of Ontario. St Andrew is a gold mining and exploration company with near-term gold production expected from its Stock Gold Complex in Timmins, Ontario and its Nixon Fork Gold Mine in Alaska. The Company controls a large land position in the Timmins Mining Camp and holds a 59.3% interest in Heritage Explorations Ltd. ("Heritage"), the holder of an extensive land position at Eskay Creek in northern British Columbia. St Andrew also owns an interest in Geoinformatics Exploration Inc. ("Geoinformatics").

The registered and principal office of the Company is located at 1540 Cornwall Road, Suite 212, Oakville, Ontario, L6J 7W5. The Company's website is www.standrewgoldfields.com. Any information contained on the Company's website is not, and shall be deemed not to be, incorporated herein by reference. Additional information including the Company's Annual Information Form can be obtained on SEDAR at www.sedar.com

St Andrew has focused its activities specifically in North America and is currently implementing a strategy that involves gold exploration and near-term production. St Andrew's strategy of accumulating quality gold assets during a low gold price environment and subsequently developing these assets during a period of sustainable higher gold prices has focused on three major gold mining camps in North America: the Timmins Mining Camp in Ontario, the Eskay Creek Mining Camp in British Columbia and the Kuskokwin-Tintina Mining Belt in Alaska.

The Company's principal properties are the Stock Gold Complex, consisting of the Clavos Mine, Stock Mine and Taylor Project located near Timmins, Ontario, the Nixon Fork Gold Mine located near McGrath, Alaska, and the Eskay Creek exploration properties and Mining Camp in the Eskay Creek region in British Columbia, owned through the Company's 59.3% ownership in Heritage.

The Company also owns 28.3% of Geoinformatics as at March 24, 2005, a company listed on Tier-2 of the TSX Venture Exchange. Geoinformatics has developed a new approach to geological exploration based on the application of innovative technology and data enhancing methodologies to produce integrated information solutions for the mining exploration industry.

St Andrew anticipates that the Advanced Exploration Program at the Stock Gold Complex, consisting of the Clavos Mine and the Stock Mine, scheduled for completion mid 2005, should increase the understanding and delineation of the Clavos mineralization so that mine planning and layouts designed to achieve sustainable production at the Clavos Mine can be developed, which together with ore from the Stock Mine should support the previously planned production rates. On this basis, gold production is anticipated in the third quarter of 2005.

Financial Results of 2004 compared to 2003 and 2002

	2004	Restated 2003	Restated 2002
Loss for the year	**$ 34,336,105**	$ 8,845,315	$ 2,933,163
Exploration costs	**$ 33,577,701**	$ 3,689,630	$ 658,699
Basic and diluted loss per share	**$ 0.11**	$ 0.06	$ 0.03
Total Assets	**$ 53,520,866**	$ 54,823,416	$ 23,158,025
Total long-term financial liabilities	**$ 5,790,554**	$ 1,834,394	$ 4,803,146

On June 25, 2003, St Andrew by way of a business combination acquired 100% of Royal Victoria Minerals Ltd. ("Royal Victoria") and United Tex-sol Mines Inc. ("United Tex-sol"), and on December 31, 2003 increased its investment in Heritage to 51% becoming the majority shareholder. During the year ended December 31, 2004 St Andrew increased its investment in Heritage to 59.3%. Prior to gaining control, St Andrew has equity accounted for these investments and subsequent to the combination and additional investments has consolidated these investments as subsidiaries of the Company and eliminated all inter company transactions.

Up until June 30, 2004, the Company equity accounted for Geoinformatics as it had a significant influence over the operations of the company. Since June 2004, the Company no longer provides management or administrative services to Geoinformatics and no longer participates in the decision making process within Geoinformatics. As a result, the Company accounts for Geoinformatics at cost basis from July 2004. St Andrew's carrying value of its equity investments is $1,441,347 (2003-$1,981,126), all of which represents Geoinformatics.

During 2004, St Andrew incurred a loss of $34,336,105 or $0.11 per share for the year ended December 31, 2004, compared to a loss of $8,845,315 or $0.06 per share for 2003 and $2,933,163 or $0.03 per share for 2002. The increased loss is primarily the result of exploration expenditure of $33,577,701 for 2004, $3,689,630 for 2003 and $658,699 for 2002.

Administration expenses of $3,325,842 were incurred in 2004 compared to $3,143,986 and $494,574 for 2003 and 2002 respectively. The increase was due to Heritage being consolidated with St Andrew for a full year in 2004. Heritage's administration expenses for 2004 were $533,430. During 2004 St Andrew expensed stock options totaling $187,906 compared to $1,236,491 in 2003 and $85,212 in 2002. During 2004, only 1,905,000 options were granted, with 450,000 vesting over three years and 7,610,000 were granted in 2003, which vested immediately. Salary and consulting fees were approximately $192,000 lower than 2003 and $1,000,000 higher in 2003 compared to 2002. The decrease over 2003 was mainly attributable to lower bonuses being paid to staff and consultants. During 2004, bonuses totaling $119,324 consisting of 541,110 common shares at $0.185 per share pursuant to the Company share bonus plan and $19,220 in cash were paid to staff and consultants, compared to bonuses totaling $748,750 paid in 2003 consisting of 2,454,000 common shares at $0.25 per share pursuant to the Company share bonus plan and $135,250 in cash. No bonuses were paid in 2002. Investor relations expenses of $559,034 were incurred in 2004 compared to $384,371 in 2003. Minimal investor relations expenses were incurred in 2002. The increase in 2004 over 2003 was mainly attributable to the increased use of consultants providing public relation services to the Company. Administration costs of approximately $749,357 were incurred in St Andrew subsidiaries compared to $130,000 in 2003 and $Nil in 2002. Administration costs totaling $533,430 (2003-$Nil) was a result of Heritage being consolidated into St Andrew for the twelve months ended December 31, 2004. Recovery of administration fees from equity investments were $394,263 in 2004 compared to $672,196 in 2003 and $445,769 in 2002.

During 2004, $539,779 (2003 - $2,756,626, 2002 - $1,785,541) of losses from its equity investments were recorded. The loss that St Andrew is recording as a result of the investment in Geoinformatics is $539,779 (2003 - $1,429,570, 2002 - $280,182), Royal Victoria $Nil (2003 -$92,460, 2002 - $436,299), United Tex-sol $Nil (2003 - $19,822, 2002 - $33,902) and Heritage $Nil (2003 - $1,214,774, 2002 - $917,066) is primarily due to the accounting policy followed by St Andrew of expensing exploration expenses. Heritage, Royal Victoria and United Tex-Sol were all exploration companies prior to becoming subsidiaries and were active in 2004, incurring exploration and administrative expenses. The losses were offset by a gain on dilution in equity investments of $Nil (2003 - $1,409,117, 2002 - $856,603).

St Andrew has continued an advanced exploration program at its Timmins properties to provide additional exploration data for evaluation purposes and to meet its flow-through share commitments. During 2004, exploration expenditures of $2,032,021 were incurred. During 2003 and 2002, $585,735 and $658,699 was spent respectively. The increase over 2003 and 2002 is a result of Heritage being consolidated into St Andrew, which accounted for $1,093,972 during 2004. Care and maintenance was $Nil in 2004 compared $284,501 in 2003 and $625,857 in 2002. The elimination of care and maintenance expenditures is a result of a decision taken early in 2003 to commence advanced exploration programs at the Stock Mine and the Clavos deposit. Pre-development costs at the Stock Complex in Timmins for the year ended December 31, 2004 was $25,638,133 (2003 - $1,807,369, 2002 - $Nil) and $5,907,546 (2003 - $1,537,006, 2002 - $Nil) at the Nixon Fork Mine in Alaska. The exploration expenditures are net of revenues of $324,628 (2003 - $Nil, 2002 - $Nil), which was from gold sales recovered during bulk sampling.

Other income for the year ended December 31, 2004 of $99,051 (2003 - $123,775, 2002 - $7,357) was mainly attributable to income received on term deposit accounts. During 2003, other income included the gain on disposal of capital assets. During 2002, a nominal amount of interest was received on term deposits.

The Company recorded an income tax recovery of $2,705,769 during 2004, $103,000 in 2003 and $370,080 in 2002 reducing the unrecorded tax asset as a result of the renunciation of tax deductions to flow-through investors.

Quarterly Data (unaudited)

(in thousands of dollars, except per share amounts)

	March		June		September		December	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
Revenue	**$ –**	$ –	**$ –**	$ –	**$ –**	$ –	**$ –**	$ –
Loss from operations	**(6,700)**	(967)	**(8,808)**	(275)	**(9,221)**	(2,584)	**(13,081)**	(5,122)
Loss	**(3,919)**	(864)	**(8,650)**	(275)	**(8,764)**	(2,584)	**(13,003)**	(5,122)
Basic and diluted loss per share	**$ (0.02)**	$ (0.02)	**$ (0.03)**	$ (0.01)	**$ (0.03)**	$ (0.02)	**$ (0.03)**	$ (0.01)

For the eight quarters March 2003 to December 2004, we have seen a trend of increasing costs from September 2003 through to December 2004. This is mainly attributable to the advanced exploration costs increasing at both the Stock Complex and the Nixon Fork Mine in Alaska where a total of $37,267,331 was spent over two years. During 2004, St Andrew has spent $26,573,282 (2003 - $2,103,524), Mystery Creek $5,907,546 (2003 - $1,537,006), Heritage $1,093,972 (2003 - $Nil), Royal Victoria $2,901 (2003 - $46,036) and

United Tex-sol $Nil (2003 - $3,064). Administration costs have increased marginally over the last two years. This is as a result of Heritage administration costs being included in 2004, which were not included in 2003. Share of loss in equity investments and any future gains will no longer take place as the Company no longer has any investments for which it equity accounts.

Cash Flow and Liquidity

For the year ended December 31, 2004, cash used in operations was $29,082,905 compared to $5,553,390 in 2003 and $2,179,029 in 2002. The increase is primarily due to increased exploration activities undertaken in 2004 and 2003. St Andrew's working capital deficit was $4,527,054 at December 31, 2004 compared to a working capital surplus of $5,856,497 at December 31, 2003.

At December 31, 2004, the Company had several long-term commitments or contractual obligations. Included in these long-term commitments are capital lease obligations of $442,753 maturing at various times to 2008. These amounts are for Company mine vehicles and leased equipment.

During November 2004, the Company completed a private placement of $3,500,000 secured debentures, which are repayable on December 31, 2007. The secured debenture has an interest rate of 10% per annum payable quarterly, commencing on March 31, 2005. Subsequent to year end the Company completed a private placement of a $1,000,000 secured debenture, which is also repayable on December 31, 2007 with an annual interest rate of 10%.

The Company leases premises, which expire on July 31, 2007. The annual lease commitment is $59,500.

During 2004, the Company raised $14,007,000 flow-through financing by issuing 60,900,000 flow-through shares at $0.23 per common share and is committed to spend this amount by December 31, 2005.

Contractual Obligations at December 31, 2004	Total	Less than year	1-3 years	4-5 years
Capital lease obligations	$ 510,007	$ 143,538	$ 286,328	$ 80,141
Secured debenture	3,500,000	–	3,500,000	–
Lease of premises	148,750	59,500	89,250	–
Flow-through funding	4,757,000	4,757,000	–	–
Insurance commitment	102,995	102,995	–	–
Total Contractual obligations	$ 9,018,752	$ 5,063,033	$ 3,875,578	$ 80,141

Capital Resources

To fund the Company's working capital needs, exploration programs, acquisition activities and its net advances to its equity investees, St Andrew raised $22,786,856 in net cash proceeds from the issuance of shares and warrants during 2004. Heritage raised $1,281,007 net cash proceeds during 2004 to fund its exploration programs. In 2003, $19,635,281 in net cash proceeds was raised from the issuance of shares, warrants, convertible debentures and loans primarily to fund St Andrew's working capital requirements. St Andrew issued secured debentures totaling $3,500,000 in 2004. Subsequent to year end the Company issued another debenture for $1,000,000.

At December 31, 2004, the Company had 14,913,000 outstanding stock options, which if exercised, would increase the Company's available cash by approximately $3,300,000. In addition, the Company had 51,175,925 outstanding warrants, which if exercised, would increase the Company's available cash by approximately $13,400,000.

As a result of the financings undertaken during the last three years, St Andrew had, at December 31, 2004, 51,175,925 warrants outstanding. Effective February 7, 2005, St Andrew extended, to February 21, 2005, the expiry date of 10,164,833 outstanding warrants to purchase common shares held by arm's length parties and reduced, to $0.10, the exercise price of these warrants which ranged from $0.17 to $0.20. In addition, effective February 7, 2005, St Andrew reduced the exercise price of 38,098,924 warrants held by arm's length parties to $0.10 until February 21, 2005, after which time, the exercise price for these warrants will revert back to their original exercise prices which range from $0.23 to $0.30 for the remainder of the term of the warrants. Each warrant entitled the holder to acquire one common share of St Andrew. A total of 35,725,410 warrants were exercised for total gross proceeds of $3,572,541. At March 24, 2005, there are 11,154,348 warrants with exercise prices ranging from $0.23 to $0.30 per warrant. A total of 4,296,167 have expired from January 1, 2005 to March 24, 2005. If the 11,154,348 warrants were exercised, approximately $3,100,000 would be raised by the Compaoy.

On January 31, 2005, St Andrew announced that it intends to issue to the holders of its outstanding common shares one right for each four common shares held. Every four rights will entitle eligible shareholders to subscribe for one common share at a subscription price of $0.10 per share. The record date for determining shareholders entitlement to receive rights was March 23, 2005 and the offering closes on April 19, 2005. The Company expects to raise approximately $10,700,000 from the offering if fully subscribed, which will be used to fund the ongoing Advanced Exploration Program at the Stock Complex, the exploration work at the Nixon Fork Gold Mine in Alaska and working capital.

Capital Expenditure Commitments

At December 31, 2004, the Company had no capital commitments, other than amounts already accrued or reflected in accounts payable.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

	St Andrew	Heritage	Geoinformatics (3)	Management Companies (2)
Administration fees (1)	$ 394,263	$ (222,832)	$ (171,431)	$ Nil
Consulting fees (2)	(518,715)	(30,000)	(35,000)	583,715
Geological consulting fees	(23,093)	(89,507)	112,600	$ Nil

(1) St Andrew has a Management and Administration Services Agreement with each of its affiliated companies. See note 16 in the financial statements.
(2) Fees paid or accrued to management companies controlled by Mr. Glenn Laing, President and Chief Executive Officer, Mr. Paul Jones, Executive Vice President and Mr. Bruce Ramsden, Chief Financial Officer of the Company. See note 16 in the financial statements.
(3) Fees paid or accrued to Geoinformatics Exploration Limited for Geological consulting services.

Advanced Exploration Update

Stock Gold Complex

During 2004, at the Clavos deposit a total of approximately 2,116 metres of drifting (756 metres on the 100 metre level, 863 metres on the 150 metre level and 497 metres on the 200 metre level) has been undertaken to provide access for drilling, mapping and trial stoping operations to ascertain the continuity and characteristics of the Clavos mineralization. A total of approximately 9,500 metres of underground drilling has been carried out to delineate the Clavos mineralization.

The drilling, drifting, mapping, sampling and trial stoping operations on the 100 metre, 150 metre and 200 metre levels have shown that the structure and nature of the Clavos mineralization is more complex than initially indicated and in order to achieve sustainable levels of production, additional delineation drilling, mapping, sampling and development will be required in 2005.

The completion of the Clavos Advanced Exploration Program will be extended to June 2005 in order to complete the required evaluation through additional underground drilling, mapping, sampling and exploration. This program is intended to increase the understanding, delineation and evaluation of the Clavos mineralization so that the requisite stope planning and layouts designed to achieve sustainable production can then be made to accommodate the structure and nature of the delineated Clavos mineralization. Upon completion of the Advanced Exploration Program, St Andrew anticipates that a sufficient resource may be delineated and developed at the Clavos Mine to support the previously planned production rate of 700 tonnes per day.

On a stand-alone basis, stoping operations at the Stock Mine are unable to supply the Stock Gold Mill with a critical level of mill feed. St Andrew will continue delineation drilling, sampling and exploration activities at the Stock Mine until June 2005.

Nixon Fork Mine

During 2004, a geophysical airborne survey was flown over the Nixon Fork area. The entire survey was not completed due to adverse weather conditions. The results of the survey will be incorporated into our 3D data base and 3D model to identify future targets for drilling. Surface trenching and underground drilling have shown encouraging results. Roscoe Postle Associates Inc. of Toronto is currently preparing an updated resource and reserve statement that will incorporate the exploration drilling results obtained in 2004 and early 2005, which will be completed during April 2005.

St Andrew is currently working with state and federal agencies to complete the permitting process to allow St. Andrew to commence with commercial operations at the Nixon Fork Gold Mine. It is anticipated that the permitting process will be completed by mid 2005.

Detailed engineering and design work is underway for the required improvement and upgrades to the mill to affect the treatment of the tailings scheduled for the third quarter of 2005 and the processing of ore from the underground operations in the fourth quarter of 2005. The mill upgrades are expected to be underway during the second quarter of 2005 and be completed by mid third quarter of 2005 at which time the tailings retreatment program is anticipated to begin, subject to obtaining the necessary permits.

Review of Outlook 2004

During 2004, the Company expected to commence production in the last quarter of 2004, which unfortunately did not take place due to some unforeseen problems at both the Stock Gold Complex and the Nixon Fork Gold Mine in Alaska.

As previously stated in the "Advanced Exploration Update" above, the Clavos deposit orebody is more complicated than anticipated and additional advanced exploration is required. The Stock Mine, on its own, is unable to provide the Stock Mill with the critical level of mill feed. A production decision will take place by June 30, 2005.

The Company was however successful in de-watering and rehabilitating the underground workings at the Stock Mine and refurbishing and upgrading the Stock Mill during 2004.

The permitting and engineering design commenced for the stage two (Taylor expansion) development of the Stock Gold Complex and will continue in 2005.

An underground development and drilling program continued at Nixon Fork, but a feasibility study to determine the viability of recommencing production did not take place and permitting problems delayed planned production during 2004. The Mill at Nixon Fork can only be upgraded once the permits have been obtained.

Regional exploration took place in Timmins and an airborne magnetic survey was flown at both Nixon Fork and Heritage during the summer of 2004.

Subsequent to year end, during January 2005, Minres Resources Inc. ("Minres") completed the acquisition of all of the outstanding shares of Geoinformatics. Pursuant to the terms of the share exchange agreement St Andrew currently holds 20 million common shares of Minres at March 24, 2005, representing approximately 28.3% of the outstanding shares.

Fourth Quarter 2004

During the fourth quarter ended December 31, 2004, the Company incurred a loss of approximately $13,003,000 or $0.03 per share. Administration expenses for the quarter were $1,250,000. This was higher than the first nine months and was mainly attributable to a share and cash bonus being paid to certain employees and consultants.

Exploration expenditures for the fourth quarter was approximately $11,663,000. This was mainly attributable to the Mine exploration decline, which was approximately $7,200,000 and Mill costs of approximately $800,000. During the fourth quarter, the Company processed ore from Clavos and Stock mine as part of a bulk sample and recovered $324,628 from the sale of the gold and silver, which was credited to the mine exploration costs.

During the quarter, the Company raised through private placements, the exercising of stock options and the exercising of warrants, approximately $6,430,000. The Company completed a private placement of $3,500,000 secured debentures. The working capital deficit position of the Company increased from $1,037,866 at September 30, 2004 to $4,527,054 at December 31, 2004.

Proposed Transactions

There are no decisions by the Board of Directors of the Company with respect to any imminent or proposed transactions.

The previously announced Rights Offering approved by the Directors and the regulatory bodies is proceeding and will be completed on April 19, 2005.

Outlook for 2005

The next year is an important year for St Andrew. The Company anticipates to commence production in the third quarter of 2005 for both the Stock Gold Complex in Timmins and the Nixon Fork Gold Mine in Alaska, providing the Advanced Exploration yields, the required grades, and all environmental permits have been granted. The plans for 2005 are outlined as below:

- The "Advanced Exploration Program" for the Clavos Project, at the Stock Gold Complex continues, which involves the completion of the 1,720-metre decline ramp to a depth of 275 metres below surface, the continued underground development to confirm the continuity of mineralization and to provide metallurgical samples for testing, and the continued underground drill program to define reserves and delineate additional resource ounces, which is expected to be completed by June 30, 2005.
- The continued planned development and drilling at the Stock Mine, to define reserves and delineate additional resource ounces, which is expected to be completed by June 30, 2005.
- Permitting, engineering design and planning for the stage two (Taylor expansion) exploration of the Stock Gold Complex.
- Continue underground drilling west of the current Crystal Garnet workings at the Nixon Fork Mine where St Andrew confirmed the continuity of the 2201 and 2204 chutes in this area over vertical distances of up to 180 metres.
- Obtain an updated resource and reserve statement for the Nixon Fork Mine from Roscoe Postle Associates Inc. of Toronto.
- Obtain from the various state and federal agencies involved in the permitting process, the necessary permits required for operations for the Nixon Fork Gold Mine.
- Complete detailed engineering and design work for the proposed tailings retreatment, gold mill upgrade and refurbishment program and subject to receipt of the necessary permits, the posting of the required bonds and the timely arrival of necessary equipment, St Andrew anticipates commencing production from the tailings retreatment operations at the Nixon Fork Gold Mine in Alaska scheduled for the third quarter of 2005.
- An ongoing exploration program, at the Stock Gold Complex to increase the resource and reserve base.

• Regional exploration programs in the East Timmins Mining Camp to test targets, which were generated by Geoinformatics from the company's 3D databases and 3D models.

• A summer exploration program by Heritage Explorations to follow up on the mineralization discovered at the Hexagon Zone in 2003 and other joint venture obligations.

St Andrew has also completed at March 24, 2005:

• Reducing to February 21, 2005 the exercise price of warrants held by arm's length parties to $0.10, for total gross proceeds of $3,572,541.

• Securing an additional $1,000,000 secured debenture.

• A Rights Offering document mailed to shareholders where every four rights will entitle eligible shareholders to subscribe for one common share at a subscription price of $0.10 per share. The record date for determining shareholders entitlement to receive rights was March 23, 2005 and the offering closes on April 19, 2005. The Company expects to raise approximately $10.7 million from the offering if fully subscribed,

Uncertainties and Risk Factors

The mining business is inherently risky in nature. Exploration activities rely on professional judgments and statistically-based tests and calculations and often yield few rewarding results. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and operations may be subject to risks including labour disputes, environmental hazards, safety issues, geological issues, weather conditions, and changing regulatory requirements as examples. St Andrew is subject to competitive risk as its ability to finance its activities and generate profitable operations or proceeds from disposal of assets are subject to the world price for the precious metals and the economic forces that influence capital markets. As a result, the securities of St Andrew must be considered speculative. A prospective investor in St Andrew should carefully consider the following factors:

Exploration and Development

Exploration for gold and other minerals is highly speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that exploration efforts will result in the discovery of mineralization or that any mineralization discovered will result in reserves. If reserves are developed, it may take a number of years and substantial expenditures from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. No assurance can be given that exploration programs will result in reserves or that reserves may be economically mined.

The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors, which are beyond the control of the Company.

All exploration and development evaluation expenditures incurred in St Andrew, prior to establishing that a property has economically recoverable reserves are charged to Income and all costs incurred subsequently will be capitalized.

Operating Hazards and Risks

Mineral exploration and mining involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The work which the Company proposes to undertake will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions and cave-ins, are all the risks involved in the operation of mines and the conduct of exploration programmes. Although the Company has secured liability insurance and will, when appropriate, secure property insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs or uninsured losses that could have a material adverse effect upon its financial condition.

Regulations and Mining Law

Mining operations and exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and closing mines and other facilities. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with or would postpone the development and operation of a mine or mines.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which they operate. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect St Andrew's operations or result in substantial costs and liabilities in the future. Environmental hazards may exist on the Company's properties, which are unknown to the Company at present that have been caused by previous or existing owners or operators of the properties.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions. There can be no assurance that St Andrew will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Title to Assets

Although the Company believes that it holds valid title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned.

Financing Risks

St Andrew has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration or to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration plans.

Metal Prices

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of gold and other metals or interests related thereto. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of base and precious metals, and therefore the economic viability of the Company's operations cannot be accurately predicted.

Uninsured Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of St Andrew's securities. St Andrew currently has no property insurance.

Governmental Regulation

Exploration, development and mining of the properties will be affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law; (iii) restrictions on production; price controls; tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are required in connection with the exploration activities proposed for the properties. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed, or cancelled entirely.

Failure to comply with applicable laws, regulations and requirements may result in enforcement action against the Company, including orders calling for the curtailment or termination of operations on the properties, or calling for corrective or remedial measures requiring considerable capital investment. Parties engaged in mineral exploration and mining activities may be subject to civil and criminal liability as a result of failure to comply with applicable laws and regulations.

Amendments to current laws, regulations and permitting requirements affecting mineral exploration and mining activities could have a material adverse impact on the Company's operations and prospects.

Claims Titles and Aboriginal Rights

Aboriginal rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is not aware of any aboriginal land claims having been asserted or any legal actions relating to aboriginal issues having been instituted with respect to the properties. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such co-operation.

Other parties may dispute the Company's title to the properties and the properties may be subject to prior unregistered agreements or transfers or land claims by aboriginal peoples, and title may be affected by undetected encumbrances or defects or government actions.

No Dividends

St Andrew has not paid any dividends on its Common Shares during the past five years. Any decision to pay dividends on its shares in the future will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Board of Directors of the Company may consider appropriate in the circumstances.

Dependence on Key Employees

St Andrew's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. St Andrew is highly dependent on the principal members of its senior management group and the loss of their services might impede St Andrew's business strategy and growth. The loss of one or more key employees could have an adverse effect on the growth and profitability of St Andrew.

Conflicts Of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

Competition

The mineral industry is intensely competitive in all its phases. St Andrew competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

Share Price Fluctuations

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price which would have not necessarily been related to the operating performance, underlying asset values or prospect of such companies. There can be no assurance that continual fluctuation in price will not occur.

Recent Accounting Pronouncements

In December 2004, the CICA issued EIC-150: "Determining Whether an Arrangement Contains a Lease" which discusses whether outsourcing or types of contracts or arrangements contains a lease under the scope of CICA 3065. This standard applies to the Company for any arrangements agreed to, modified, or acquired through a business combination after January 1, 2005. The Company has not yet determined whether this standard will affect the consolidated financial statements.

Changes in Canadian Accounting Recommendations

Accounting for Asset Retirement Obligations

In March 2003, the CICA issued Section 3110, "Accounting for Asset Retirement Obligations." Under Section 3110 the Company records the full amount of any obligation associated with the asset retirement, such as the reclamation associated with the end of a mine's life, as a liability. At the same time, a corresponding asset is recorded which is depreciated over the life of the asset. The Company adopted Section 3110 on January 1, 2004 as required.

The asset retirement obligation is a result of studies done by Golder Associates Inc. ("Golder") for each of the properties that the Company will mine in the foreseeable future. These properties include Clavos, Stock mine and mill, Taylor and Hislop. Golder, in their studies, estimated the cost of engaging a third party to manage and undertake the closure of each of the properties as outlined in their Reports. The Company's reclamation plans have been approved by the Ontario Ministry of Northern Development and Mines. The assumptions used to determine the accretion amount for each of the years of the site's useful life, is based on an inflationary rate of 2.5% per year and discounted using a credit adjusted risk free rate. The useful life of each of the properties was arrived at by using a combination of the Roscoe Postle Associates Inc. resource estimate completed during September 2003, and a probability distribution of years to retirement. The Company realizes the uncertainty concerning environmental remediation and reviews the future costs associated with the future closure of its mines. Future changes in the laws and regulations resulting in a change in the future cost of closure will be provided for as required.

Critical Accounting Policies and Estimates

St Andrew's consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles (GAAP). The accounting policies for the purposes of Canadian GAAP are described in note 2 to the consolidated financial statements.

Management considers the following policies to be the most critical in understanding the judgments that are involved in preparing the Company's consolidated financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows.

Mining Interests

Mining interests represent the cost of acquisition and all deferred development expenditures, less recoveries and write-offs, of non-producing properties that have economically recoverable reserves. The amortization or write-off of these amounts are generally dependent upon the mineral reserve and resource estimates which are imprecise and depend partly on statistical inferences drawn from drilling and other data, which may prove to be unreliable. Future exploration, development or production plans could differ dramatically due to the possibility the mineralization could be different from those predicted, the grade of mineral reserves and resources could vary significantly from those expected, a change in metal prices or economics may render the mining of some or all of the Company's reserves uneconomic or an increase in costs could adversely affect the economic viability of mineral reserves. Any of these factors may require the Company to reduce its mineral reserve and mineral resource estimates, change its exploration and development plans or production estimates or increase its costs. Changes in reserve quantities would cause corresponding changes in amortization expense in periods subsequent to the reserve revision and could result in impairment of the carrying amount of property, plant and equipment.

Stock-based compensation plans

Stock-based compensation plans result in the recognition of a compensation expense for stock options awarded since January 1, 2003 based on the fair value of the options on the date of grant, which is determined by using an option pricing model. The fair value estimate of the options is dependent on the assumptions of the expected term, volatility, risk-free rate of return and expected dividend yield which may be imprecise and depend partly on statistical inferences drawn from past experience. The estimated value of options can vary dramatically depending on the assumptions used and the actual value of the options may be materially different from the estimated value. Regardless of the actual value of the options or changes that may occur in any of the factors used in estimating the fair value, the expense recorded for stock compensation will not be adjusted.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements and all other information in this annual report are the responsibility of management and have been approved by the Board of Directors ("Board"). The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee ("Committee").

The Committee is appointed by the Board, and a majority of its members are outside directors. The Committee meets with management, as well as the external auditors, to discuss auditing matters and financial reporting issues and to review the annual report, the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with generally accepted auditing standards on behalf of shareholders. The external auditors have free access to the Committee.

Glenn Laing
President and
Chief Executive Officer

Bruce Ramsden
Chief Financial Officer

March 31, 2005

Auditors' Report to Shareholders

We have audited the consolidated balance sheets of St Andrew Goldfields Ltd. as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for each of the years in the three-year period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada

March 31, 2005

St Andrew Goldfields Ltd.

Consolidated Balance Sheets

December 31, 2004 and 2003

		2004		2003
				(Restated - notes 3 and 7)
Assets				
Current assets				
Cash and cash equivalents (note 13(c))	$	**3,393,678**	$	11,713,943
Amounts and settlements receivable		**755,352**		684,703
Due from Geoinformatics Explorations Limited (note 6)		**529,548**		1,111
Inventory, supplies and prepaid expenses		**631,942**		76,890
		5,310,520		12,476,647
Property, plant and equipment (note 4)		**45,094,334**		39,117,830
Investment in Geoinformatics Explorations Limited (note 6)		**1,441,347**		1,981,126
Reclamation deposits (note 8)		**1,668,553**		1,230,999
Other assets		**6,112**		16,814
	$	**53,520,866**	$	54,823,416
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	**9,522,580**	$	2,843,036
Due to Geoinformatics Explorations Limited (note 6)		**2,765**		105,611
Due to Uniterre Resources Ltd. (note 5)		**200,000**		–
Convertible debenture (note 7(a))		**–**		3,664,998
Current portion of capital lease obligations (note 14)		**112,229**		6,505
		9,837,574		6,620,150
Capital lease obligations (note 14)		**330,524**		30,234
Secured debenture (note 7(b))		**3,500,000**		–
Asset retirement obligations (note 8)		**1,960,030**		1,604,160
Due to Uniterre Resources Ltd. (note 5)		**–**		200,000
Non-controlling interest (note 5)		**1,617,577**		2,107,673
		17,245,705		10,562,217
Shareholders' equity:				
Share capital (note 9)		**173,377,887**		143,729,067
Stock options (note 9(d))		**1,722,985**		1,804,759
Contributed surplus (note 9(e))		**16,927,526**		16,698,988
Deficit		**(155,753,237)**		(117,973,041)
Currency translation adjustment		**–**		1,426
		36,275,161		44,261,199
Going concern (note 1)				
Commitments and contingencies (notes 4, 5 and 13)				
Subsequent events (notes 6, 7 and 9)				
	$	**53,520,866**	$	54,823,416

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Glenn Laing, Director

Herbert Abramson, Director

St Andrew Goldfields Ltd.

Consolidated Statements of Operations and Deficit

Years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
		(Restated - notes 3 and 7)	(Restated - notes 3 and 7)
Expenses:			
Administration (note 15)	**$ 3,325,842**	$ 3,143,986	$ 494,574
Care and maintenance	**–**	284,501	625,857
Exploration expenditure	**33,577,701**	3,689,630	658,699
Share of loss in equity investments (note 6)	**539,779**	2,756,626	1,785,541
Gain on dilution in equity investments (note 6)	**–**	(1,409,117)	(856,603)
Accretion of reclamation liability (note 8)	**124,301**	101,019	82,860
Depreciation, depletion and amortization	**166,168**	122,318	117,116
Foreign exchange loss	**57,798**	–	–
Operating loss	**(37,791,589)**	(8,688,963)	(2,908,044)
Interest expense on long-term liabilities	**(117,855)**	(383,127)	(402,556)
Other income (note 10)	**99,051**	23,775	7,357
Loss before income taxes	**(37,810,393)**	(8,948,315)	(3,303,243)
Future income tax recovery (note 11)	**2,705,769**	103,000	370,080
Loss before non-controlling interest	**(35,104,624)**	(8,845,315)	(2,933,163)
Non-controlling interest	**768,519**	–	–
Loss for the year	**(34,336,105)**	(8,845,315)	(2,933,163)
Deficit, beginning of year:			
As previously stated	**(117,973,041)**	(107,673,773)	(103,892,614)
Changes in accounting policies (note 3):			
Asset retirement obligations	**–**	1,204,649	1,287,509
Deferred mining exploration	**–**	(911,656)	(911,656)
As restated	**(117,973,041)**	(107,380,780)	103,516,761)
Share issue costs	**(3,444,091)**	(1,746,946)	(930,856)
Deficit, end of year	**$(155,753,237)**	$ (117,973,041)	$ (107,380,780)
Basic and diluted loss per share	**$ (0.11)**	$ (0.06)	$ (0.03)
Weighted average number of shares outstanding	**317,452,542**	151,345,919	89,279,846

See accompanying notes to consolidated financial statements.

St Andrew Goldfields Ltd.

Consolidated Statements of Cash Flows

Years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
		(Restated - note 3)	(Restated - note 3)
Cash provided by (used in):			
Operating activities:			
Loss for the year	$ (34,336,105)	$ (8,845,315)	$ (2,933,163)
Items not affecting cash:			
Depreciation, depletion and amortization	166,168	122,318	117,116
Share of loss in equity investments	539,779	2,756,626	1,785,541
Gain on dilution in equity investments	–	(1,409,117)	(856,603)
Gain on disposal of property, plant and equipment	–	(120,000)	(7,400)
Convertible debenture interest	76,808	377,850	400,000
Foreign exchange loss	57,798	–	–
Stock option and stock purchase plan compensation	354,810	1,903,279	90,891
Non-controlling interest	(768,519)	–	–
Accretion of reclamation liability	124,301	101,019	82,860
Future income taxes	(2,705,769)	(103,000)	(370,080)
Change in non-cash operating working capital (note 15)	7,407,824	(337,050)	(488,191)
	(29,082,905)	(5,553,390)	(2,179,029)
Financing activities:			
Common shares issued	24,567,429	19,868,781	5,558,179
Warrants issued	255,780	1,410,446	612,000
Secured debenture liability	3,500,000	–	–
Payments on capital lease obligations and loans payable	(49,552)	(16,395)	(21,857)
Share and debenture issue costs	(755,317)	(1,643,946)	(268,276)
	27,518,340	19,618,886	5,880,046
Investing activities:			
Cash acquired on business combination (note 5)	–	87,087	–
Additions to property, plant and equipment	(4,977,650)	(309,692)	(164,835)
Advances to equity investees, net (note 6)	(631,283)	89,122	(765,629)
Acquisition cost of investments (note 5)	(650,000)	(2,491,610)	(2,819,364)
Proceeds on disposal of property, plant and equipment	–	120,000	7,400
Increase in reclamation deposits	(437,554)	(240,480)	–
	(6,696,487)	(2,745,573)	(3,742,428)
Net effect of exchange rates on cash	(59,213)	1,426	–
Increase (decrease) in cash and cash equivalents	(8,320,265)	11,321,349	(41,411)
Cash and cash equivalents, beginning of year	11,713,943	392,594	434,005
Cash and cash equivalents, end of year	$ 3,393,678	$ 11,713,943	$ 392,594
Supplemental cash flow information (note 15):			
Interest paid	$ 31,288	$ 48,940	$ 17,732
Income taxes paid	128,436	108,000	8,000

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2004, 2003 and 2002

St Andrew Goldfields Ltd. ("St Andrew" or the "Company") is incorporated under the laws of Ontario. Its activities are directed toward gold exploration and development and mining opportunities in North America. These consolidated financial statements include the accounts of the Company and those of its subsidiaries, Mystery Creek Resources Inc., a company incorporated under the laws of the State of Alaska, United Tex-sol Mines Inc. ("United Tex-sol") and Royal Victoria Minerals Ltd. ("Royal Victorin"), continued under the laws of Ontario and Heritage Explorations Ltd. ("Heritage"), a company listed on the TSX Venture Exchange and incorporated under the laws of British Columbia. All significant intercompany transactions and balances have been eliminated.

1. Going concern:

During 2004, the Company completed several financings to fund its acquisition, development and exploration programs and to address its working capital deficit. As at December 31, 2004, the Company had no source of operating cash flow and had a negative working capital balance and commitments to incur exploration expenditures of $4,757,000. The Company's ability to continue operations and to recover the carrying value of its mineral interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development and future profitable production or proceeds from disposition of its interests.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets, such as property, plant and equipment, and liabilities, the reported expenses, and the balance sheet classifications used.

2. Significant accounting policies:

These financial statements are prepared in accordance with accounting principles generally accepted in Canada.

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on account and highly liquid inventments with a remaining term to maturity of three or less at the date of purchase.

(b) Inventory:

Inventory of gold bullion is valued at the lower of average production or net realizable value. Production costs include cost of raw materials, direct labour and mine site overhead expenses including depreciation.

(c) Property, plant and equipment:

(i) Plant and equipment, and equipment under capital leases:

Plant and equipment, and equipment under capitbl leases are recorded at the lower of cost and net recoverable amount. Depreciation is being provided on the unit-of-production basis or in certain circumstances, on the straight-line basis designed to fully depreciate the assets over their estimated useful lives. Depreciation is suspended while the assets are not being utilized.

(ii) Acquisition costs:

Mineral interest acquisition costs are capitalized. These costs will be charged against operations if the properties to which they apply are brought into commercial production, or written off when the claims to which they relate are sold, abandoned or otherwise disposed of or if the costs are considered to be not economically recoverable. Depletion will be provided on mineral interests, being producing mining properties and deferred mine development costs, using the unit-of-production method over the life of the estimated reserves.

(iii) Exploration and development expenditures:

All exploration and development evaluation expenditures incurred prior to establishing that a property has economically recoverable reserves are charged to income. Costs incurred subsequently are capitalized.

(iv) Impairment:

Mineral interests are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If the estimated future net cash flows expected to result from the use of the properties and their eventual disposition are less than the carrying amount, then these properties are written down to their estimated realizable value.

(d) Foreign currency translation:

The Canadian dollar is the functional currency of most of the Company's operations. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the balance sheet date.

(e) Investments:

Investments, over which the Company has the ability to exercise significant influence, are accounted for by the equity method. Under this method, the Company includes in the statements of operations its share of the net earnings or losses of equity investees.

(f) Stock-based compensation plans:

Effective January 1, 2002, the Company adopted the recommendations of The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. As permitted by the new standard, the Company was allowed to follow the settlement method to account for stock options granted to employees. Using this method, no expense was recognized for stock options granted to employees as the strike price is set at the market price on the day the awards are issued. During 2003, the Company adopted early the amendment to CICA Handbook Section 3870 on a prospective basis under which the Company recognizes compensation expense for all stock options awarded since January 1, 2003 (including options awarded to employees) based on the fair value of the options on the date of grant, with the fair value determined by using an option pricing model. The early adoption of this amendment represents a change in accounting policy. The impact of this change is shown in note 9(d).

(g) Income taxes:

The Company uses 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 year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting values, as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. A reduction in respect of the benefit of a future tax asset is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(h) Flow-through shares:

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration program. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, deficit will be reduced and a future tax liability will be recorded equal to the estimated amount of future income taxes payable by the Company as a result of the renouncement, when the renouncements are made. If the Company has sufficient tax assets to offset the future tax liability, the liability will be recorded as a tax recovery.

(i) Loss per share:

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted. The impact of outstanding options, warrants and the convertible debentures on the Company's loss per share has been excluded, as it would be anti-dilutive.

(j) Use of estimates:

Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, revenue and expenses for each year presented. Changes in the estimates and assumptions will occur based on additional information and the occurrence of future events and actual results could differ from those estimates. The most significant of these estimates are with respect to mineral interests, reclamation and closure cost obligations and stock-based compensation plans.

(k) Comparative figures:

Certain 2003 and 2002 figures have been reclassified to conform with the financial statement presentation adopted in 2004.

3. Changes in accounting policies:

(a) Effective January 1, 2004, the Company adopted the new CICA accounting standard on "Asset retirement obligations". Under the new standard, the Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mining properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mining interests and expensed as depletion over the useful life of the property. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for reclamation and closure cost obligations, and the related asset retirement cost is capitalized as part of the carrying amount of the related long-lived asset. Upward revisions in the amount of undiscounted estimated cash flows are discounted using the current credit-adjusted risk-free rate. Downward revisions in the amount of undiscounted estimated cash flows are discounted using the credit-adjusted risk-free rate that existed when the original liability was recognized.

The Company's asset retirement obligations are described in note 8. The prior period financial statements have been restated retroactively for this change in accounting policy. The adoption of this standard had the following impact on the opening balance sheet at January 1, 2002: increased property, plant and equipment by $1,183,690, decreased reclamation and closure cost obligations by $103,819 and decreased deficit by $1,287,509. The effect on the loss in 2003 was an increase of $101,019 (nil per share). The effect on the loss in 2002 was an increase of $82,860 (nil per share).

(b) The Company changed its accounting policy for exploration expenditures effective January 1, 2004. The change in the accounting policy is to only capitalize those exploration costs associated with economically recoverable reserves. This policy change has been applied retroactively with restatement of prior periods. The impact as at January 1, 2002 is to reduce property, plant and equipment by $911,656 and increase deficit by $911,656.

4. Property, plant and equipment:

The Company's property, plant and equipment consist of four major projects as set out below:

	2004	2003
Stock Gold Complex	$ 27,405,251	$ 23,002,030
East Timmins properties (a)	7,705,390	7,716,722
Heritage-Eskay Creek properties (note 5)	8,120,702	7,753,737
Nixon Fork mine	1,470,486	252,836
Other	392,505	392,505
	$ 45,094,334	$ 39,117,830

The Stock Gold Complex consists of the following assets in the Timmins Gold Camp in northern Ontario:

	2004	2003
Mill equipment, at cost	$ 23,340,611	$ 20,494,582
Less accumulated depreciation	(8,035,741)	(7,917,975)
	15,304,870	12,576,607
Mining equipment, at cost	6,104,338	4,395,630
Less accumulated depreciation	(3,480,446)	(3,446,696)
	2,623,892	948,934
Acquisition costs:		
Taylor Township	971,150	971,150
Hislop Township	867,351	867,351
Stock Township	833,928	833,928
Clavos Project (b)	6,804,060	6,804,060
	9,476,489	9,476,489
	$ 27,405,251	$ 23,002,030

At December 31, 2004, included in property, plant and equipment is leased equipment having a cost of $708,016 (2003 - $38,373) and a net book value of $643,718 (2003 - $38,373).

On June 25, 2003, the Company acquired 81% of the common shares of Royal Victoria and 74% of the common shares of United Tex-sol through a share-for-share exchange agreement, taking the Company's holding to 100% in each. Prior to June 25, 2003, the Company equity accounted for its investments in Royal Victoria and United Tex-sol as detailed in note 6.

		Royal Victoria		United Tex-sol
Cash	$	64,949	$	–
Investments - other		6,111		–
Payables and other liabilities		(136,175)		(67,083)
Payables related to St Andrew		(206,677)		(230,951)
Payables related to Geoinformatics Explorations Limited ("Geoinformatics")		(39,465)		–
Property, plant and equipment		7,494,923		6,804,060
Non-controlling interest		–		–
	$	7,183,666	$	6,506,026

		Royal Victoria		United Tex-sol
Consideration:				
21,277,648 St Andrew shares issued at $0.27 (market value)	$	5,745,019	$	–
18,094,785 St Andrew shares issued at $0.27 (market value)		–		4,885,592
Valuation of options and warrants		991,377(1)		225,833(2)
Transaction fees		289,196		289,196
Cost of St Andrew's ownership at acquisition		158,074		1,105,405
	$	7,183,666	$	6,506,026

(1) 5,552,084 warrants were issued at $0.132 and 1,420,000 options at $0.181. Both were valued using the Black-Scholes option pricing model with the following assumptions: 66% volatility; risk-free rate of return of 5%; expected dividend of 0%; and an expected term of five years for options and two years for warrants.

(2) 1,491,277 options at $0.151 each, valued using the Black-Scholes option pricing model with the following assumptions: 66% volatility; risk-free rate of return of 5%; expected dividend of 0%; and an expected term of two years.

The net assets of Royal Victoria and United Tex-sol were fair-valued on the basis that the Company and these subsidiaries will be amalgamated. The amalgamation of the three companies is planned to occur during 2005. Accordingly as a result of the planned amalgamation, future income tax liabilities totaling $6.7 million were not recognized relating to the mining interests acquired due to the expectation of future tax losses being available and utilized by the amalgamated entity.

(a) Royal Victoria - East Timmins properties:
The major assets acquired with the acquisition of Royal Victoria are land ownership or option positions east of Timmins in northern Ontario. The Company completed an allocation of the purchase price to the various properties acquired. Certain of these properties are subject to further payments, including the potential issuance of common shares, work commitments (in aggregate totaling approximately $2.5 million) and royalties. The Company continually evaluates the properties and assesses which commitments will be met.

(b) United Tex-sol - Clavos:
The major asset acquired with the acquisition of United Tex-sol was the Clavos property which the Company considers part of the Stock Gold Complex. The Clavos property is subject to a 2% Net Smelter Royalty ("NSR").

5. Heritage Explorations Ltd.:

In September 2001, the Company completed, by way of private placement, the acquisition of a 50% interest in Glenfred Holdings Inc. ("Glenfred"). During 2002, the Company entered into an agreement with Heritage and the remaining shareholders of Glenfred, whereby Heritage acquired all of the issued and outstanding shares of Glenfred and gave the shareholders of Glenfred a 4% NSR on Glenfred's properties. In July 2002, the Company completed the sale of Glenfred to Heritage for 3,689,375 common shares, together with St Andrew's proportionate share of the NSR. The Company recorded the issuance of these additional shares at its carrying value of its investment in Glenfred.

In September 2001 and December 2001, the Company completed by way of private placement, the acquisition of 1,250,000 and 1,500,000 units, respectively, of Heritage for $306,592 including the cost of acquiring the units. Each unit consisted of one common share and one common share purchase warrant. The acquisition of the shares in September 2001 gave the Company a 28.5% interest in Heritage. The acquisition of the share in December 2001 increased the Company's interest to 37.2%. The Company's share of the net assets acquired exceeds the cost of the investment by $522,771. This excess relates to mineral properties.

In November and December 2002, St Andrew exercised the 2,750,000 warrants in Heritage and completed a share for debt settlement, acquiring 696,951 additional shares at a deemed price of $0.75. The result of these transactions reduced the amount Heritage owed to St Andrew by $875,213. During the year ended December 31, 2002, Heritage issued 9,160,795 shares to unrelated parties and

7,136,326 to St Andrew. St Andrew's ownership in Heritage increased from 37.2% to 41.8% during 2002. The Company's cost of its investment exceeded its share of the net assets acquired by approximately $300,000, which was allocated to mineral properties.

On February 17, 2003, Heritage issued, by way of private placement, 835,000 units for gross proceeds of $459,250. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share for $0.60 on or before February 17, 2004. St Andrew participated in this financing and acquired 400,000 units, increasing the Company's ownership to 42.0%.

On December 31, 2003, the Company acquired a total of 5,898,445 common shares of Heritage, representing approximately 19% of the outstanding common shares of Heritage at $0.70 per Heritage share. St Andrew acquired from Dolly Varden Resources Inc. a total of 922,344 common shares of Heritage for a cash consideration of $645,641, and from Zebrex 4,976,101 common shares in exchange for 7,603,255 common shares of St Andrew at a price of $0.28 per share issued on December 31, 2003 and either a cash payment of $1,354,359 or an additional 4,836,997 common shares of St Andrew, or a combination of both, as elected by Zebrex within 120 days of closing. At December 31, 2003, St Andrew owned 51% of the issued and outstanding shares of Heritage. During 2004, St Andrew issued an additional 4,836,997 shares as elected by Zebrex.

On July 29, 2004, the Company acquired an additional 2,600,000 common shares of Heritage for $650,000 in cash, which reduced its holding to 50.75%. The non-controlling interest also contributed a similar amount, increasing its value by approximately $650,000. On October 12, 2004, the Company acquired an additional 3,190,930 common shares of Heritage for $683,497 in common shares, increasing its holding to 59.32%. At December 31, 2004, the Company owned 59.32% of the issued and outstanding common shares of Heritage.

Details of net assets acquired and the consideration of these acquisitions are shown below:

	2004	2003
Cash	$ –	$ 22,138
Accounts receivable	–	176,689
Funds on deposit	–	60,000
Payables and other liabilities	–	(355,943)
Payables related to St Andrew	–	(164,348)
Payables related to Geoinformatics Explorations Limited ("Geoinformatics")	–	(20,863)
Property, plant and equipment	**321,020**	7,753,737
Non-controlling interest	**362,477**	(2,107,673)
	$ 683,497	$ 5,363,737
Consideration:		
St Andrew shares issued	**$ 683,497**	$ 3,483,270
Cash paid by St Andrew	–	645,641
Transaction fees	–	47,577
Cost of St Andrew's ownership at acquisition	–	1,187,249
	$ 683,497	$ 5,363,737

The major assets acquired with the acquisition of Heritage are land positions in the Eskay Creek region of British Columbia. Pursuant to an agreement dated September 11, 2002, Heritage acquired from Uniterre Resources Ltd. ("Uniterre") 100% of the issued and outstanding shares of Silver Butte Mines Ltd. ("Silver Butte") for $750,000 and an assignment of a 2% NSR to Uniterre on the 100% interest in the Claims. Silver Butte holds a 50% interest in a joint venture, which holds an interest in certain S.I.B. and other mineral claims (the "Claims") in the Eskay Creek area.

An amount of $200,000 was remaining to be paid December 31, 2004, payable on January 31, 2005. An amount of $50,000 was paid on January 31, 2005 and $75,000 was paid on February 28, 2005 and $75,000 is due on or before March 31, 2005;

During 2004, St Andrew also issued 319,093 common shares valued at $68,350 to acquire the 2% NSR interest owned by Zebrex Holdings Limited ("Zebrex") over mineral properties in the Eskay Creek Mining Camp. As a result, St Andrew owns a 4% NSR over these mineral properties.

6. Equity investments:

The Company's equity investments and shares in losses from its equity investments are as follows:

	Heritage Explorations Ltd. (note 5)	Glenfred Holdings Inc. (note 5)	Royal Victoria Minerals Ltd. (note 4)	United Tex-sol Mines Ltd. (note 4)	Geoinformatics Explorations Limited	Total
Carrying value, December 31, 2001	$ 240,420	$ 398,737	$ –	$ –	$ –	$ 639,157
Investment:						
Cash amount	–	–	272,535	46,829	2,500,000	2,819,364
Non-cash amount	875,213	–	42,267	1,112,300	–	2,029,780
Transfer	280,645	(280,645)	–	–	–	–
Equity loss	(917,066)	(118,092)	(436,299)	(33,902)	(280,182)	(1,785,541)
Gain on dilution in equity investment	591,179	–	265,424	–	–	856,603
Carrying value, December 31, 2002	1,070,391	–	143,927	1,125,227	2,219,818	4,559,363
Investment:						
Cash amount	220,000	–	–	–	1,000,000	1,220,000
Equity loss	(1,214,774)	–	(92,460)	(19,822)	(1,429,570)	(2,756,626)
Gain on dilution in equity investment	1,111,632	–	106,607	–	190,878	1,409,117
Transfer upon acquisition	(1,187,249)	–	(158,074)	(1,105,405)	–	(2,450,728)
Carrying value, December 31, 2003	–	–	–	–	1,981,126	1,981,126
Equity loss	–	–	–	–	(539,779)	(539,779)
Carrying value, December 31, 2004	$ –	$ –	$ –	$ –	$ 1,441,347	$ 1,441,347

Geoinformatics Explorations Limited:

During the year ended December 31, 2002, St Andrew acquired a 37.3% interest in Geoinformatics, by way of a private placement, whereby St Andrew subscribed for 3,571,429 shares for $2,500,000 and was committed to subscribe for an additional 1,428,571 shares for $1,000,000 prior to April 30, 2003. In January 2003, the Company fulfilled its commitment, subscribing for the additional shares, resulting in St Andrew's ownership increasing to 45.5%. During October 2003, St Andrew's ownership was diluted down to 41.7% as a result of a private placement by Geoinformatics. Geoinformatics owns Geoinformatics Exploration Australia Pty Ltd. (formerly Fractal Graphics Pty Ltd). St Andrew's carrying value of Geoinformatics has been reduced by the Company's share of the losses in its equity investments for 2002 by $280,182.

During 2004, Geoinformatics was in the process of completing a reverse takeover transaction with MinRes Resources Inc. ("MinRes") pursuant to which all the outstanding shares of Geoinformatics, including those shares owned by the Company, would be exchanged for shares of MinRes. The reverse takeover was completed on January 28, 2005.

In anticipation of the completion of the reverse takeover transaction, the Board of Directors of the Company transferred the administration and management of Geoinformatics to the personnel of Geoinformatics effective July 29, 2004.

Until June 30, 2004, the Company equity accounted for Geoinformatics and the share of loss in the investment was $539,779. From July 29, 2004, the Company no longer participated in the management or administration of Geoinformatics therefore did not have a significant influence. On December 22, 2004, the Company covenanted with Geoinformatics that so long as the director and Chief Executive Officer of the Company, remained a director of either Geoinformatics or MinRes, the Company would not vote its shares in Geoinformatics or, following completion of the reverse takeover transaction, vote its shares in MinRes. The Company, effective July 1, 2004 no longer equity accounted for its investment in Geoinformatics, but carried its investment at cost.

At December 31, 2004, St Andrew held 41.7% (2003 - 41.7%) of Geoinformatics. St Andrew's carrying value of Geoinformatics has been reduced by the Company's share of the losses in its equity investments for the six months ended June 30, 2004 by $539,779 (2003 - $1,429,570) and a gain on dilution of nil (2003 - $190,878).

7. Debentures:

(a) Convertible debentures:

On March 30, 2001, the Company completed a private placement of $4,000,000 secured convertible debentures. The debentures matured on March 30, 2004, bore interest at a rate of 10% per annum and were secured by mortgages on certain properties, together with a general security agreement on all of the assets of the Company. The interest, payable semi-annually, could be settled, at the Company's option, in shares. The debentures could be converted into units in the Company, at a conversion price of $0.15 per unit, any time prior to maturity. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to acquire one common share of the Company for $0.20 per share any time until March 30, 2004.

These convertible debentures were classified into debt and equity components in the consolidated financial statements. During 2004, the CICA accounting standard for financial instruments was changed such that the convertible debenture previously accounted for as debt and equity would only be classified as a liability. The Company has adopted this new standard retroactively with restatement of prior periods. The impact of this increased liabilities and decreased shareholders equity by $88,194 at December 31, 2003.

During 2003, debentures totalling $335,000 were converted into common shares by the issuance of 2,233,311 units at $0.15 per unit. During 2004, the balance of the convertible debentures was converted into 24,433,333 shares and 12,216,665 warrants, at $0.15 per unit and 12,191,665 of these warrants were exercised during 2004 (note 9(c)).

(b) Secured debentures:

On November 26, 2004, the Company completed a private placement of $3,500,000 secured debentures. The debentures have an interest rate of 10% per annum and mature on December 31, 2007. The debentures are secured by mortgages on certain properties in Timmins, including 100% of the Stock Mill and Mines, United Tex-Sol Mines and Royal Victoria Minerals Ltd., which are wholly owned subsidiaries of St Andrew. The interest, payable quarterly, commences on March 31, 2005 and is payable in cash. At December 31, 2004, an amount of $33,562 interest had been accrued. Subsequent to year end, the Company secured an additional $1,000,000 secured debenture. These debentures will have an interest rate of 10% per annum and will mature on December 31, 2007.

8. Asset retirement obligations:

The Company's estimates and amounts provided are as follows:

	Estimated total cost	Amount provided
Stock Mine and Mill	$ 1,951,865	$ 1,228,550
Hislop Mine	174,685	147,501
Taylor Mine	478,604	298,051
Clavos Project	324,653	225,928
Heritage Properties	60,000	60,000
	$ 2,989,807	$ 1,960,030

The Company's reclamation plans for the Stock Mine and Mill, the Hislop Mine, Taylor Mine and the Clavos Project have been approved by the Ontario Ministry of Northern Development and Mines.

In view of the uncertainties concerning environmental remediation, the ultimate cost of future reclamation and closure costs to the Company could differ from the amount provided. The Company continues to review anticipated costs associated with the future closure of its mines, including dismantling of the plant and equipment and reclamation costs of the land. Future changes, if any, in requirements, laws, regulations and the Company's operations may be significant and would be recognized prospectively.

The Company's asset retirement obligations consist of reclamation and closure costs for both active and inactive mines. The present value of obligations is $1,960,030 (2003 - $1,604,160) reflecting payments for approximately the next 10 years.

The liability for reclamation and closure cost obligations at December 31, 2004 is $1,960,030 (2003 - $1,604,160). An accretion expense component of $124,301 (2003 - $101,019) has been charged in 2004 to reflect the carrying amount of the asset retirement obligation, which has been determined using a discount rate of 7% and an inflation rate assumption of 2.5%. The undiscounted value of this liability is $2,989,807 at December 31, 2004.

Changes to the reclamation and closure cost obligations during the year are as follows:

	2004	2003	2002
Balance, beginning of year	**$ 1,604,160**	$ 1,266,550	$ 1,183,690
Assumed obligations through acquisitions	**–**	236,591	–
Revisions	**231,569**	–	–
Accretion expense	**124,301**	101,019	82,860
	$ 1,960,030	$ 1,604,160	$ 1,266,550

In relation to these obligations, the Company, at December 31, 2004, had a deposit of $1,608,553 (2003 - $1,170,999) with the Province of Ontario and $60,000 (2003 - $60,000) with the Province of British Columbia.

9. Share capital:

(a) Authorized:

20,000,000 convertible preferred shares, no par value with a non-cumulative dividend of $0.04 per annum; no preferred shares outstanding during the years presented

Unlimited common shares, no par value

(b) Issued common shares:

	Number shares	Amount
Balance, December 31, 2001	67,712,993	$ 99,033,465
Common shares:		
Issued for cash	26,500,000	5,532,710
Issued to acquire equity investments	3,646,886	1,112,300
Issued for property acquisitions	30,000	6,600
Issued for settlement of convertible debenture and other interest	1,877,346	400,000
Issue of exercise of stock options	111,600	16,040
Issued on exercise of warrants	30,000	3,750
Issue for share purchase plan	49,291	11,358
Issued for agent's financing fee	1,375,000	307,500
Balance, December 31, 2002	101,333,116	106,423,723
Common shares:		
Issued for cash	93,635,307	19,471,248
Issued to acquire equity investments	46,975,888	12,759,522
Issued for property acquisitions	650,000	154,800
Issued for settlement of convertible debenture	2,233,331	308,300
Issued for convertible debenture interest	1,896,808	377,852
Issued on exercise of stock options	816,000	121,800
Issued on exercise of warrants	1,566,666	313,333
Issued pursuant to share purchase plan	236,701	53,289
Issued pursuant to share bonus plan	2,454,000	613,500
Balance, December 31, 2003	251,797,817	140,597,367
Common shares:		
Issued for cash(1)	60,900,000	13,751,220
Issued to acquire Heritage	8,027,927	2,037,857
Issued for property acquisitions	610,000	135,900
Issued for settlement of convertible debenture	24,433,333	3,371,800
Issued for convertible debenture interest	372,861	76,808
Issued on exercise of stock options	1,263,277	279,090
Issued on exercise of warrants	46,210,501	9,859,555
Issued pursuant to shere purchase plan	321,267	66,799
Issued pursuant to share bonus plan	541,110	100,105
Issued for agent fees	456,522	105,000
Balance, December 31, 2004	394,934,615	$ 170,381,501

(1) From August to December 2004, the Company issued 60,900,000 flow through shares at $0.23 per share.

(c) Warrants:

	Number of warrants	Amount
December 31, 2001	22,895,333	$ 548,000
Issued for cash	18,750,000	612,000
Exercised	(30,000)	–
Expired	(32,000)	–
December 31, 2002	41,583,333	1,160,000
Issued for cash	44,161,911	1,410,446
Issued on acquisition of Royal Victoria (note 4)	5,552,084	734,154
Issued for debenture conversion (note 7)	1,116,664	26,700
Exercised	(1,566,666)	(37,600)
Expired	(6,750,000)	(162,000)
December 31, 2003	84,097,326	3,131,700
Issued for cash [1]	3,653,999	255,780
Issued for debenture conversion (note 7)	12,216,665	293,200
Exercised	(46,210,501)	(617,456)
Expired	(2,581,564)	(66,838)
December 31, 2004	51,175,925	$ 2,996,386

(1) Broker warrants were issued in respect of the flow through shares at $0.23 per share exercisable for two years.

As at December 31, 2004, the warrants outstanding are as follows:

Number	Exercise price	Expiry
2,235,500	$ 0.170	2005
18,797,900	0.285	2005
11,829,834	0.200	2005
3,653,999	0.230	2006
14,658,692	0.300	2006
51,175,925	0.261	

Subsequent to the year end, certain warrants were repriced to $0.10 and 35,725,410 warrants were exercised for total proceeds of $3,572,541.

(d) Stock-based compensation:

During 2002, the Company implemented a share incentive plan, including a share bonus plan and a share purchase plan, under which a maximum of 8,000,000 common shares may be issued. Under the share purchase plan, employees, officers, consultants and directors can purchase shares by contributing up to 5% of their basic earnings with such contributions to be matched by the Company. During 2004, pursuant to the share bonus plan, certain employees and consultants acquired 541,110 (2003 - 2,454,000) shares as a bonus in the Company at an average price of $0.185 and $0.25 respectively per share and 321,267 (2003 - 236,701) shares as part of the share incentive plan. The Company matched the participants' contributions of $33,399 (2003 - $26,644).

The Company has a director, officer, employee, and consultant incentive stock option plan, under which a maximum of 15,000,000 common shares may be issued. Options granted under the plan will be exercisable for a maximum period of five years from the date of grant and the exercise price will be the closing price on The Toronto Stock Exchange on the day immediately prior to the date of grant. The vesting periods for the options granted vary from vesting immediately to vesting evenly over a three-year period and are determined by the Board of Directors on the date of grant. During 2004, a total of 1,905,000 (2003 - 7,610,000) options were granted. Options totaling 450,000, vesting over three years were granted in 2004 at $0.20 per share and 1,455,000 vesting immediately were granted at $0.185.

	Options	Amount	Weighted average exercise price
Outstanding, December 31, 2001	3,895,000	$ –	$ 0.150
Granted	2,875,000	85,212	0.257
Exercised	(111,600)	–	0.141
Forfeited or expired	(242,400)	–	1.166
Outstanding, December 31, 2002	6,416,000	85,212	0.197
Granted	7,610,000	1,236,491	0.250
Granted pursuant to business combination	2,911,277	483,056	0.175
Exercised	(816,000)	–	0.150
Forfeited or expired	(500,000)	–	0.250
Outstanding, December 31, 2003	15,621,277	1,804,759	0.219
Granted	1,905,000	187,906	0.189
Exercised	(1,263,277)	(107,980)	0.135
Forfeited or expired	(1,350,000)	(161,700)	0.262
Outstanding, December 31, 2004	14,913,000	$ 1,722,985	0.219

Options exercisable:

	Options	Weighted average exercise price
2004	14,313,000	$ 0.219
2003	14,446,282	0.219
2002	4,432,671	0.176

The following table summarizes information about stock options outstanding at December 31, 2004:

Exercise prices	Options outstanding	Weighted average remaining contractual life (years)	Options exercisable
$0.068	60,000	1.07	60,000
$0.115	520,000	2.34	520,000
$0.150	2,815,000	1.19	2,815,000
$0.160	175,000	0.12	175,000
$0.185	1,455,000	4.94	1,455,000
$0.200	1,425,000	3.47	991,667
$0.240	328,000	2.06	328,000
$0.250	6,560,000	3.96	6,560,000
$0.300	500,000	2.48	500,000
$0.310	1,075,000	2.43	908,333
	14,913,000		14,313,000

The Company has expensed $8,570 (2003 - $63,957) related to options granted to non-employees during the year. In addition, the Company expensed $179,336 (2003 - $1,172,534) related to options granted to employees during the year. The fair value of the options granted subsequent to January 1, 2003 has been estimated at the date of the grant using the Black-Scholes option pricing model with the following assumptions: five-year expected term; 65.017% (2003 - 73.5%) volatility; risk-free rate of return of 3.32% (2003 - 2.75%); and expected dividend yield of 0% (2003 - 0%). The weighted average grant date fair value of options issued in 2004 and 2003 were $0.11 and $0.15, respectively.

The pro forma loss for 2004, 2003 and 2002 with the fair value method applied to all options issued in 2002 are as follows:

	2004	2003	2002
Loss for the year, as reported	$ 34,336,105	$ 8,845,315	$ 2,933,163
Fair value of employee stock options granted	5,999	81,788	187,676
Pro forma loss for the year	$ 34,342,104	$ 8,927,103	$ 3,120,839
Loss per common share, as reported	$ (0.11)	$ (0.06)	$ (0.03)
Pro forma loss per common share	$ (0.11)	$ (0.06)	$ (0.03)

The fair value of the 2002 employee options is estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: five-year expected term; 66% volatility; risk-free rate of return of 4.7%; and expected dividend yield of 0%.

(e) Contributed surplus:
The movement in contributed surplus represents a transfer of the value of warrants and stock options expired during the year.

10. Other income:

	2004	2003	2002
Interest income	$ 113,704	$ 34,056	$ 9,311
Interest expense	(17,671)	(48,940)	(15,176)
Gain on disposal of property, plant and equipment	–	120,000	7,400
Other income	3,018	18,659	5,822
	$ 99,051	$ 123,775	$ 7,357

11. Income taxes:

As at December 31, 2004, the Company had approximately $21,000,000 (2003 - $13,000,000) of non-capital loss carryforwards expiring between the years 2005 and 2010. In addition, the Company had approximately $977,000 (2003 - $780,000) of capital loss carryforwards. The Company has provided a full valuation allowance against these tax assets.

As at December 31, the significant components within the Company's net future tax assets are as follows:

	2004	2003	2002
Loss carryforwards	$ 9,918,000	$ 5,150,000	$ 3,255,000
Property, plant and equipment	79,000	406,000	289,000
Canadian resource deductions	6,931,000	3,510,000	6,532,000
Equity accounted investees	372,000	259,000	158,000
Reclamation liabilities	622,000	543,000	358,000
Financing costs	667,000	622,000	273,000
	18,589,000	10,490,000	10,865,000
Less valuation allowance	18,589,000	10,490,000	10,865,000
	$ –	$ –	$ –

Income tax expense varies from the amounts that would be computed by applying the federal and provincial statutory tax rates because the Company has not recognized the full tax benefit of operating losses incurred.

The future income tax recovery of $2,705,769 (2003 - $103,000; 2002 - $370,080) was recorded and charged to share issue costs. The amount represents the tax benefit related to the renunciation of tax deductions to flow-through shares issued during 2003.

12. Fair values of financial assets and financial liabilities:

The carrying amounts of cash and cash equivalents, amounts and settlements receivable, funds on deposit, accounts payable and accrued liabilities, due to/from Geoinformatics Explorations Limited, due to Uniterre Resources Ltd., capital lease obligations and secured debenture liability approximate their fair values.

13. Commitments and contingencies:

(a) During 2002, the Company entered into a lease agreement for office premises. Under the lease agreement, the Company has estimated annual lease commitments of $59,500. The lease expires on July 31, 2007.

(b) In March 1996, a subsidiary of the Company entered into a financing arrangement in which it issued to an unrelated party a $17,095,000 debenture and $2,755,000 of preferred shares for total cash of $19,850,000. The debenture bore interest at 6.1725% and was repaid on March 19, 1997. The debenture was secured by funds held on deposit for the debenture repayment. The Company also guaranteed the repayment of the debenture. In connection with this arrangement, the subsidiary renounced to the investor certain mineral development expenditures for tax purposes in the amount of $19,850,000. As a result, the redemption amount of the preferred shares was reduced to $100 and the difference of $2,754,900 has been included in contributed surplus. During 1997, the preferred shares were redeemed.

The mineral development expenditures, which were renounced to the investor in 1996, were based, in part, on independent valuations of certain related mineral properties. Canada Revenue Agency ("CRA") has challenged certain of those valuations and, accordingly, the amount renounced to the investor. The Company may be contingently liable for certain losses or damages to the investor, if any, that may result if CRA is ultimately successful in its challenges.

(c) The Company is committed to spending $4,757,000 on exploration costs during 2005 as part of the flow-through funding agreements that were completed within the year.

(d) The Company is from time to time involved in various claims. Management believes that none of these claims will have a material impact on the Company's financial position.

14. Capital lease obligations:

Year ending December 31:	2004	2003
2004	$ –	$ 11,400
2005	143,538	11,400
2006	143,538	11,400
2007	142,790	10,549
2008	80,141	–
Total minimum lease payments	510,007	44,749
Less amount representing interest (at rates ranging from 6.44% to 9.77%)	67,254	8,010
Present value of net minimum capital lease payments	442,753	36,739
Current portion of obligations under capital leases	112,229	6,505
	$ 330,524	$ 30,234

During 2004, the Company entered into capital leases in the amount of $669,643 for vehicles and equipment.

Interest of $67,254 (2003 - $307) relating to capital lease obligations has been included.

15. Change in non-cash operating working capital:

The change in non-cash operating working capital is detailed below:

	2004	2003	2002
Accounts and settlements receivable	$ (70,449)	$ (308,865)	$ (17,801)
Inventory, supplies and prepaid expenses	(555,722)	(44,625)	(4,151)
Accounts payable and accrued liabilities	8,033,995	16,440	(466,239)
	$ 7,407,824	$ (337,050)	$ (488,191)

Included within administration expenses is a $354,810 (2003 - 1,903,279; 2002 - 90,891) non-cash expense relating to stock-based compensation and share bonuses issued under the share incentive plan (note 9(d)).

The Company entered into a number of non-cash investing and financing activities as detailed in notes 9 and 14.

16. Related party transactions:

All transactions are recorded at the exchange amount. A summary of related party transactions, including outstanding balances, fees paid or accrued, and options granted in respect of or by the equity-accounted investees, is as follows:

2004	St Andrew Goldfields Ltd.	Heritage Explorations Ltd.	Geoinformatics Explorations Limited	Total
St Andrew Goldfields Ltd. [1]:				
Administration recovery and geological charges	$ –	$ 222,832	$ 171,431	$ 394,263
Geoinformatics Explorations Limited [2]:				
Geological fees	$ 23,093	$ 89,507	$ –	$ 112,600
A director and officer in common with all affiliated companies [3]:				
Fees	$ 177,685	$ 30,000	$ 35,000	$ 242,685
Stock options:				
Granted - number	–	–	–	–
Total outstanding - number	5,000,000	998,500	75,000	6,073,500
An officer in common with all affiliated companies [5]:				
Fees	$ 112,645	$ –	$ –	$ 112,645
Bonus	$ 41,625	$ –	$ –	$ 41,625
Stock options:				
Granted - number	300,000	–	–	300,000
Total outstanding - number	700,000	–	–	700,000
A director in common with Heritage [6]:				
Stock options:				
Granted - number	150,000	–	–	150,000
Total outstanding - number	1,270,000	50,000	–	1,320,000
A director and officer of the Company [7]				
Fees	$ 140,510	$ –	$ –	$ 140,510
Stock bonus	$ 46,250	$ –	$ –	$ 46,250
Stock options:				
Granted - number	300,000	–	–	300,000
Total outstanding - number	1,300,000	–	–	1,300,000

2003	St Andrew Goldfields Ltd.	Heritage Explorations Ltd.	Royal Victoria Minerals Ltd.	United Tex-sol Mines Ltd.	Geoinformatics Explorations Limited	Total
St Andrew Goldfields Ltd. [1]:						
Administration recovery and geological charges	$ –	$ 270,289	$ 51,035	$ 50,133	$ 300,739	$ 672,196
Geoinformatics Explorations Limited[2]:						
Geological fees	$ 379,774	$ 369,708	$ 36,972	$ –	$ –	$ 785,454
A director and officer in common with all affiliated companies [3]:						
Fees	$ 153,805	$ 30,000	$ 30,000	$ –	$ 60,000	$ 273,805
Cash bonus	$ 125,000	$ –	$ –	$ –	$ –	$ 125,000
Stock bonus	$ 375,000	$ –	$ –	$ –	$ –	$ 375,000
Stock options:						
Granted - number	2,500,000	450,000	–	–	75,000	3,025,000
Total outstanding - number	5,000,000	998,500	–	–	–	5,998,500
An officer in common with all affiliated companies [4]:						
Stock options:						
Granted - number	750,000	50,000	–	–	–	800,000
Total outstanding - number	1,230,000	75,000	–	–	–	1,305,000
An officer in common with Geoinformatics [5]:						
Fees	$ 98,129	$ –	$ –	$ –	$ –	$ 98,129
Bonus	$ 50,000	$ –	$ –	$ –	–	$ 50,000
Stock options:						
Granted - number	320,000	25,000	–	–	–	345,000
Total outstanding - number	400,000	–	–	–	–	400,000
A director in common with Heritage [6]:						
Stock options:						
Granted - number	620,000	25,000	–	–	–	645,000
Total outstanding - number	1,250,000	50,000	–	–	–	1,300,000
A director and officer of the Company [7]						
Fees and initial payment	$ 122,713	$ –	$ –	$ –	$ –	$ 122,713
Stock options:						
Granted - number	820,000	–	–	–	–	820,000
Total outstanding - number	1,000,000	–	–	–	–	1,000,000

2002	St Andrew Goldfields Ltd.	Heritage Explorations Ltd.	Royal Victoria Minerals Ltd.	United Tex-sol Mines Ltd.	Geoinformatics Explorations Limited	Total
St Andrew Goldfields Ltd.[1]:						
Administration recovery and geological charges	$ –	$ 252,017	$ 85,391	$ –	$ 108,361	$ 445,769
Geoinformatics' fees	$ –	$ 66,448	$ 274,653	$ –	$ (341,101)	$ –
Geoinformatics Explorations Limited[2]:						
Geological fees	$ 502,414	$ 334,883	$ 130,044	$ –	$ –	$ 967,341
A director and officer in common with all affiliated companies[3]:						
Fees	$ 146,805	$ 30,000	$ 22,500	$ –	$ 30,000	$ 229,305
Stock options:						
Granted - number	1,000,000	548,500	250,000	–	–	1,798,500
Total outstanding - number	2,000,000	548,500	250,000	–	–	2,798,500
An officer in common with all affiliated companies and a director and officer of United Tex-sol[4]:						
Stock options:						
Granted - number	250,000	25,000	65,000	–	–	340,000
Total outstanding - number	400,000	25,000	65,000	–	–	490,000
An officer in common with Geoinformatics[5]:						
Fees	$ 45,536	$ –	$ –	$ –	$ –	$ 45,536
Stock options:						
Granted - number	150,000	–	15,000	–	–	165,000
Total outstanding - number	150,000	–	15,000	–	–	165,000
A director in common with Heritage[6]:						
Stock options:						
Granted - number	500,000	25,000	–	–	–	525,000
Total outstanding - number	660,000	25,000	–	–	–	685,000

(1) St Andrew has a Management and Administration Services Agreement with each of its affiliated companies. In addition, St Andrew has re-charged certain fees from Geoinformatics to affiliated companies.
(2) Included are only fees paid or accrued to Geoinformatics. An amount of nil (2003 - $183,897; 2002 - nil) is included in St Andrew for Mystery Creek Resources Inc.
(3) Fees, bonuses and share purchase plan paid or accrued to a management company controlled by a director and officer.
(4) The officer is a salaried employee of St Andrew.
(5) Fees paid or accrued to a consultant as an officer of the Company.
(6) The director directly and indirectly owns approximately 10.04% (2003 - 8.23%) of St Andrew.
(7) Fees paid or accrued to a management company controlled by a director and officer. The director holds a 5% Net Profits Interest in Mystery Creek Resources Inc. with the right to convert to a 1/2% NSR from all production on the Nixon Fork Property held by Mystery Creek Resources Inc.

Corporate Information

Board of Directors

Herbert Abramson [1,2,4]
Chairman and CEO
Strategic Capital Partners Inc.

Stephen Burns [1]
Vice-Chairman
Avenue Financial Corporation

Glenn Laing [2,3,4]
President and Chief Executive Officer of the Company

Paul C. Jones [3]
Executive Vice-President of the Company

Warren Seyffert [2]
Counsel to Lang Michener

Bernard Kraft [1]
Senior Partner
Kraft, Berger, Grill, Schwartz, Cohen & March LLP

1 Audit Committee
2 Compensation Committee
3 Environment and Ore Reserve Committee
4 Executive Committee

Officers and Senior Management

Herbert Abramson
Chairman

Glenn Laing
President and Chief Executive Officer

Paul C. Jones
Executive Vice-President

Bruce Ramsden
Vice-President of Finance and Chief Financial Officer

Mary Quinn
Corporate Secretary

Corporate Office

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99501-5148

Tel: (907) 743-0451
Fax: (907) 743-0489

Auditors

KPMG LLP
Chartered Accountants
Toronto, Ontario

Legal Counsel

Lang Michener
Toronto, Ontario

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Canadian Imperial Bank of Commerce
Oakville, Ontario

Registrar and Transfer Agent

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Email: inquiries@cibcmellon.com
Website: www.cibcmellon.com

Share Listing

Toronto Stock Exchange
Trading Symbol "SAS"

Issued and Outstanding

394,934,615 common shares
(461,023,540 fully diluted)
at December 31, 2004

430,660,094 common shares
(456,452,442 fully diluted)
at March 31, 2005

Conversion Factors

1 foot	=	.3048 metres
1 mile	=	1.6093 kilometres
1 sq. mile	=	2.59 sq. kilometres
1 sq. mile	=	640 acres
1 acre	=	.4047 hectares
1 troy ounce	=	31.1035 grams
1 ton	=	.90718 tonnes
1 ton	=	2000 pounds
1 pound	=	.4536 kilograms
1 ounce/ton	=	34.2857 grams/tonnes

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