

Consolidated Financial Statements  
(Expressed in Canadian dollars)

## **ASIAN MINERAL RESOURCES LIMITED**

Three month period ended June 30, 2005  
(Unaudited)

*These financial statements have not been reviewed by the Company's auditors*

# ASIAN MINERAL RESOURCES LIMITED

Consolidated Balance Sheets  
(Expressed in Canadian dollars)

June 30, 2005 and 2004  
December 31, 2004

	Jun 30 2005	Dec 31 2004	Jun 30 2004
<b>Assets</b>			
Current assets:			
- Cash and cash equivalents	536,061	2,338,726	374,594
- Accounts receivable and prepayments	384,872	169,720	106,216
- Marketable securities	-	-	9,002
	920,933	2,508,446	489,812
Equipment (note 4)	123,179	131,309	14,442
Mineral property interest (note 6)	1	1	4,207,470
	\$1,044,113	\$2,639,756	\$4,711,724

## Liabilities and Shareholders' Equity (Deficiency)

Current liabilities:			
- Accounts payable and accrued liabilities	716,924	423,922	610,237
Shareholders' equity (deficiency)			
- Share capital	11,205,089	11,205,089	5,656,060
- Contributed surplus (note 5 (g))	388,542	252,474	-
- Deficit	(11,266,442)	(9,241,729)	340,673
- Foreign currency translation reserve	-	-	(1,895,246)
	327,189	2,215,834	4,101,487
	\$1,044,113	\$2,639,756	\$4,711,724

Nature of operations (note 1)  
Contingency (note 11)  
Commitment (note 12)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

David Woodhouse (signed) Director

Ian MacGregor (signed) Director

# ASIAN MINERAL RESOURCES LIMITED

Consolidated Statements of Operations and Deficit  
(Expressed in Canadian dollars)

	Three months ended June 30 2005	Three months ended June 30 2004	Year to date June 30 2005	Year to date June 30 2004
Expenses:				
- Directors fees	42,500	22,500	85,000	119,167
- Inducement fees	-	-	-	62,500
- Exploration	1,022,316	-	1,426,634	-
- Hanoi representative office expense	21,770	114,131	49,935	135,628
- Legal, audit and accounting	73,391	24,823	117,327	29,990
- Listing and filing fees	2,757	21,109	3,194	84,828
- Stock based compensation (note 5(g))	11,067	-	136,068	-
- Office and administration	68,269	97,988	152,651	204,376
- Sponsorship fees	-	15,500	-	63,550
- Travel and conferences	6,204	13,658	81,114	40,775
Loss before the following:	(1,248,274)	(309,709)	(2,051,923)	(740,814)
Other income (expenses):				
- Interest income	3,895	-	29,895	-
- Foreign exchange loss	(1,788)	-	(2,685)	-
	2,107	-	27,210	-
Loss for the period	(1,246,167)	(309,709)	(2,024,713)	(740,814)
Retained earnings, beginning of period:				
- As previously reported	(10,020,275)	650,382	(9,241,729)	1,081,487
- Change in accounting for exploration costs	-	-	-	-
As restated	(10,020,075)	650,382	(9,241,729)	1,081,487
Deficit, end of period	\$(11,266,442)	\$340,673	\$(11,266,442)	\$340,673
Basic and diluted loss per share	\$(0.03)	\$(0.01)	\$(0.05)	\$(0.03)
Weighted average number of common shares outstanding:	43,057,836	28,925,839	43,057,836	28,162,548

See accompanying notes to consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Consolidated Statements of Cash flows  
(Expressed in Canadian dollars)

	Three months ended June 30 2005	Three months ended June 30 2004	Year to date June 30 2005	Year to date June 30 2004
Cash provided by (used in):				
Operations:				
- Loss for the period	(1,246,167)	(309,709)	(2,024,713)	(740,814)
- Items not involving cash				
Depreciation included in exploration expenditure	12,113	-	16,742	-
Stock based compensation	11,067	-	136,068	-
Expenses paid by common shares (note 5)	-	-	-	-
- Changes in non-cash operating working capital				
Accounts receivable	156,853	(19,382)	(216,195)	(69,676)
Prepaid expenses	1,043	-	1,043	-
Accounts payable and accrued liabilities	178,711	408,833	293,002	374,205
Non current assets	-	-	-	11,320
Exploration expenditure capitalised	-	(815,191)	-	(1,002,160)
	(886,380)	(735,449)	(1,794,053)	(1,427,125)
Investments				
- Purchase of plant and equipment	(7,731)	(2,422)	(8,612)	(2,422)
- Proceeds from sale of non-investments	-	-	-	689
	(7,731)	(2,422)	(8,612)	(1,733)
Financing:				
- Issuance of common shares and warrants for cash (net of issue costs)	-	-	-	1,807,284
- Repayable short term loan	-	-	-	(23,907)
	-	-	-	1,783,377
Increase (decrease) in cash and cash equivalents	(894,111)	(737,871)	(1,802,665)	354,519
Cash and cash equivalents, beginning of period	1,430,172	1,112,465	2,338,726	20,075
Cash and cash equivalents, end of period	\$536,061	\$374,594	\$536,061	\$374,594
Supplemental information:				
- Interest received	3,895	-	29,895	-
Non-cash financing and investing transactions				
- Shares issued to settle amounts payable	-	-	-	-
- Share issued to settle short term loan	-	-	-	-

See accompanying notes to consolidated financial statements.

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Three months ended June 30, 2005

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## 1. Nature of operations:

Asian Mineral Resources Limited (the "Company") is incorporated under the laws of the Province of British Columbia by a certificate of continuance as of December 31, 2004, having previously been incorporated and registered under the *New Zealand Companies Act 1993*. On April 19, 2004, the Company became listed on the TSX-Venture Exchange ("TSX-V"). The Company's principal business activity is the exploration and development of mineral property interests. Its principal mineral property interest, held through a joint venture, is in the Ta Khoa Concession located 160 km west of Hanoi in Son La Province, in northwestern Vietnam.

The Company has recently established that the mineral property interest contains economically recoverable mineral resources and is in the process of completing a definitive feasibility study over the 35km<sup>2</sup> mining area within the Concession.

The financial statements are prepared on the basis that the Company will continue as a going concern. Management recognizes that the Company will need to generate additional financial resources in order to meet its planned business objectives. However, there can be no assurances that the Company will continue to obtain additional financial resources and/or achieve profitability or positive cash flows (reference is made to note 13 – Subsequent Events). If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

## 2. Significant accounting policies:

### (a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, AMR Nickel Limited and Asian Nickel Exploration Limited and its 70%-owned investee Ban Phuc Nickel Mines Limited ("BPNM") joint venture which is proportionately consolidated. All material inter-company balances and transactions have been eliminated upon consolidation.

### (b) Cash and cash equivalents:

Cash and cash equivalents consist of cash and highly liquid investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash.

### (c) Marketable securities:

Marketable securities are capable of reasonably prompt liquidation and are carried at the lower of cost and quoted market value.

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Three months ended June 30, 2005

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## 2. Significant accounting policies (continued):

(d) Equipment:

Equipment is used in the Company's exploration activities and is recorded at cost less accumulated depreciation. Depreciation from exploration activities is included in office and administration expense and is recorded at various rates over the estimated useful lives of the related equipment as follows:

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Exploration and mining equipment	14% - 25%, straight-line
Furniture and office equipment	11% - 39%, declining-balance

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(e) Mineral property interests:

Exploration expenses incurred prior to determination of the feasibility of mining operations and administrative expenditures are expensed as incurred (note 3). Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of the feasibility of mining operations are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include the cash consideration and the fair market value of common shares, based on the trading price of the shares, issued for mineral property interests, pursuant to the terms of the agreement. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned or when an impairment of value has occurred.

(f) Share capital:

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted price on the date the agreement to issue the shares was reached and announced.

(g) Stock-based compensation:

The Company grants stock options in accordance with TSX-V policies, as described in note 5. Effective January 1, 2004, the Company adopted the fair value method of accounting for all stock-based transactions as required under the recommendations of the Canadian Institute of Chartered Accountants ("CICA") with respect to stock-based compensation.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable and are amortized over the vesting period. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the contributed surplus related to the measurement date fair value of options exercised is transferred to share capital. In prior years, the Company accounted for stock-based compensation by the settlement method whereby no compensation expense was recorded for options granted. The new recommendations were applied retroactively with restatement of prior periods to option grants after January 1, 2002.

There was no prior period impact of this retroactive adoption as the Company granted no stock options during fiscal 2002 or 2003.

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Three months ended June 30, 2005

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## 2. Significant accounting policies (continued):

### (h) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, generally using the enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the date of enactment or substantive enactment.

Future income tax assets also result from unused loss carry forwards and other deductions. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

### (i) Foreign currency translation:

The Company's foreign operations are integrated. Monetary assets and liabilities of the Company and its integrated foreign subsidiaries are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical estimated exchange rates unless such items are carried at market, in which case they are translated at the exchange rates in effect on the balance sheet date. Revenue and expenses, except depreciation, are translated at the exchange rates in effect at the date of the transaction. Depreciation is translated at the same exchange rate as the assets to which it relates. Foreign currency gains and losses are charged to the statement of operations as incurred.

### (j) Loss per share:

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, loss available to common shareholders equals the reported loss.

Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares issued and outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. For all periods presented, diluted loss per share is the same as basic loss per share since the effect of the outstanding options and warrants would be anti-dilutive.

### (k) Fair value of financial instruments:

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short term nature.

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Three months ended June 30, 2005

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## 2. Significant accounting policies (continued):

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the balance sheet date, and the amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of the recoverability of mineral property interests, reclamation obligations, obligations under legal claims and the assumptions used in the stock-based compensation calculations. Actual results could differ from those estimates.

(m) Asset retirement obligations:

During the year ended December 31, 2004, the Company adopted the CICA's Handbook Section 3110 "Asset Retirement Obligations" ("HB 3110"). This new standard recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

Prior to the adoption of HB 3110, the Company had accounted for reclamation and closure costs by accruing an amount associated with the retirement of tangible long-lived assets as a charge to operations over the life of the asset.

The Company adopted HB 3110 retroactively with a restatement of prior periods presented; however, the adoption of HB 3110 resulted in no changes to amounts previously presented.

(n) Segment disclosures:

The Company operates in a single segment, being the exploration and development of its mineral property within the geographic areas disclosed in note 10.

(o) Comparative figures:

Certain of the prior years' comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

## 3. Change in accounting policy:

(a) Exploration costs:

During fiscal 2004, the Company changed its accounting policy with respect to accounting for exploration expenditures. In 2003 and prior periods, acquisition and exploration expenditures were capitalized to mineral property interests. Under the new policy, exploration expenditures are expensed while acquisition expenditures continue to be capitalized. This change has been applied retroactively and has decreased the retained earnings as at January 1, 2004 by \$5,100,555.

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
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Three months ended June 30, 2005

### 3. Change in accounting policy (continued):

(b) Reporting currency:

As a result of the Company's continuance to Canada in fiscal 2004, the Company changed its reporting currency from New Zealand dollars to Canadian dollars. Amounts presented for the period ended December 31, 2003 has if the Canadian dollar had been used. This change in policy did not have a material affect on the consolidated financial statements.

### 4. Equipment:

June 30, 2005	Cost	Accumulated depreciation	Net book value
Exploration and mining equipment	120,089	61,552	58,537
Furniture and office equipment	83,500	18,858	64,642
	\$ 203,589	\$ 80,410	\$ 123,179

June 30, 2004	Cost	Accumulated depreciation	Net book value
Exploration and mining equipment	69,482	56,530	11,572
Furniture and office equipment	10,479	7,609	2,870
	\$ 79,961	\$ 64,139	\$ 14,442

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Three months ended June 30, 2005

## 5. Share capital:

(a) Authorized:

The Company's share capital consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of shares	Amount
Balance, March 31, 2003	15,844,128	\$ 3,739,265
Issuance by way of private placement, net of issue costs (note 5(c))	657,000	109,511
Balance, December 31, 2003	16,501,128	3,848,776
Issued during the year:		
By way of private placements, net of issue costs (note 5(c))	17,621,288	5,964,530
Pursuant to an incentive fee (note 5(e))	416,667	62,500
On settlement of debt (note 5(f))	3,368,758	556,784
Share purchase warrants exercised (note 5(h))	5,149,995	772,499
Balance, December 31, 2004	43,057,836	\$ 11,205,089
Balance, June 30, 2005	43,057,836	\$ 11,205,089

(c) Private placements:

During the period ended December 31, 2003, the Company issued 650,000 common shares at NZD\$0.20 per share and 7,000 common shares at NZD\$0.24 per share by way of private placement for gross proceeds of \$111,716 (NZD\$131,680). In connection with this private placement, the Company incurred issue costs of \$2,205.

During the year ended December 31, 2004, the Company:

- (i) Issued 8,333,333 units pursuant to a private placement at \$0.15 per unit for gross proceeds of \$1,250,000. Each unit consisted of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant entitled the holder to purchase one common share at a price of \$0.15 per share until October 19, 2004, all of which were exercised during 2004.
- (ii) Issued 8,821,288 units pursuant to a private placement at \$0.56 per unit for gross proceeds of \$4,939,922. Each unit consisted of one common share and one-half of a common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at a price of \$1.00 per share until July 19, 2006. The Company also incurred share issue costs of \$193,212, issued 50,000 common shares as a finance fee, and issued 460,028 agents warrants. Each agent's warrant entitles the agent to purchase one common share at a price of \$0.56 per share until July 19, 2005.

## 5. Share capital (continued):

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# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Three months ended June 30, 2005

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(d) Finder's fee:

During fiscal 2004, the Company issued 416,667 common shares at \$0.15 per share to a director as a finder's fees related to a private placement (note 5(c)(i)). These shares have been recorded on a net basis in share capital.

(e) Incentive fee:

During fiscal 2004, the Company issued 416,667 common shares at \$0.15 per share to an officer as a signing bonus.

(f) Settlement of debts:

During the year ended December 31, 2004, the following amounts owing by the Company were settled through the issuance of common shares and granting of share purchase warrants:

(i) \$447,975 of amounts owing to directors and short term loans to directors and companies controlled by directors were settled by the issuance of 2,986,501 common shares and 750,000 share purchase warrants. Each warrant entitled the holder to purchase one common share at a price of \$0.15 until October 19, 2004, all of which were exercised during 2004.

(ii) \$46,809 of amounts owing to unrelated third parties was settled by the issuance of 271,543 common shares.

(iii) \$62,000 of amounts owing to directors were settled by the issuance of 110,714 common shares. In connection with this transaction, the Company issued 55,357 share purchase warrants for consideration of \$15,420 which has been presented on a net basis in share capital. Each warrant entitles the holder to purchase one common share for \$1.00 until July 19, 2006.

(iv) \$121,560 of amounts owing to directors were offset against an equal amount owed by directors on the exercise of 810,400 share purchase warrants at \$0.15 per share.

(g) Share purchase options:

The Company grants share purchase options pursuant to the policies of the TSX-V with respect to eligible persons, exercise price, maximum term, vesting, maximum options per person and termination of eligible person status. The purpose of the share purchase options are to retain and motivate management, staff, consultants and other qualified individuals by providing them with the opportunity, through share purchase options, to acquire a proprietary interest in the Company and benefit from its growth.

During the three months ended June 30, 2005, \$11,067 (March 31, 2005: \$125,001) was recorded as compensation expense for stock options granted during the period. The compensation expense was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 3%, an expected volatility of 120%, an expected dividend rate of nil and an expected life of five years. The exercise of all share purchase options granted during the period was \$0.05 cents more than the market price at the grant date (March 31, 2005: equal to the market price at the grant date).

## 5. Share capital (continued):

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Three months ended June 30, 2005

During fiscal 2004, \$252,474 was recorded as compensation expense for stock options granted during the year. The compensation expense was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 3%, an expected volatility of 120%, an expected dividend rate of nil and an expected life of two to five years. The exercise of all share purchase options granted during the year was equal to the market price at the grant date. The weighted average fair value per-share for options granted during fiscal 2004 was \$0.12.

The continuity of outstanding share purchase options is as follows:

Expiry dates	Exercise prices	Balance December 31, 2004	Granted	Exercised	Expired/ cancelled	Balance June 30, 2005
December 31, 2005 (i)	NZD\$0.75	152,000	-	-	-	152,000
April 19, 2006	\$0.20	706,875	-	-	-	706,875
April 19, 2009	\$0.33	600,000	-	-	-	600,000
April 19, 2009	\$0.15	361,573	-	-	-	361,573
April 19, 2009	\$0.20	361,573	-	-	-	361,573
April 19, 2009	\$0.25	361,573	-	-	-	361,573
April 19, 2009	\$0.30	361,573	-	-	-	361,573
January 1, 2010	\$0.50	-	300,000	-	-	300,000
May 5, 2010	\$0.35	-	45,000	-	-	45,000
		2,905,167	345,000	-	-	3,250,167
Weighted average exercise price		\$0.26	\$0.48	\$ -	\$ -	\$0.28
Weighted average remaining life (years)		3.40	-	-	-	3.44

(i) During 2004, the Company approved an extension of the share options expiry date from December 31, 2004 to December 31, 2005. The options remain exercisable at an exercise price of NZ\$0.75.

(h) Share purchase warrants:

The continuity of outstanding share purchase warrants for the period ended June 30, 2005, is as follows:

Expiry dates	Exercise prices	Balance December 31, 2004	Granted	Exercised	Expired/ cancelled	Balance June 30, 2005
July 21, 2005	\$0.56	460,028	-	-	-	460,028
July 19, 2006	\$1.00	4,466,001	-	-	-	4,466,001
		4,926,029	-	-	-	4,926,029
Weighted average exercise price		\$0.96	\$0.00	\$0.00	\$0.00	\$0.96
Weighted average remaining life		1.46	-	-	-	0.96

## 5. Share capital (continued):

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
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Three months ended June 30, 2005

(i) Escrow shares:

Pursuant to an escrow agreement, 10,523,358 issued and outstanding common shares were held in escrow at June 30, 2005 and will be released as follows:

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October 19, 2005	1/4 of the remaining escrowed shares
April 19, 2006	1/3 of the remaining escrowed shares
October 19, 2006	1/2 of the remaining escrowed shares
April 19, 2007	the remaining escrowed shares

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In addition, certain common shares to be issued upon the exercise of share purchase warrants issued as part of a private placement (note 5(h)) will be subject to the escrow agreement.

## 6. Mineral property interest:

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	2005	2004
Ta Khoa Concession	\$ 1	\$ 4,204,470

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The Company's mineral property interest is in the Ta Khoa concession in Vietnam. Pursuant to a 1993 joint venture agreement, the Company has the right to a 70% interest in the Ta Khoa concession. In order to complete the earn-in, the Company is required to contribute US\$7,000,000 of exploration expenditures, with a US\$200,000 annual minimum. As at June 30, 2005, the Company has contributed **US\$5,190,814** of its exploration expenditure commitment. Pursuant to the terms of the exploration license, the BPNM joint venture is required to carry out sufficient exploration and development activities in order for BPNM joint venture to be in a position to apply for a mining lease by July 31, 2005 (reference is made to Note 13 (d) – Subsequent Events).

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
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Three months ended June 30, 2005

## 7. Interest in joint venture:

As previously noted, these consolidated financial statements include the Company's proportionate interest in the assets, liabilities, revenue and expenses and cash flows of BPNM joint venture, which can be summarized as follows:

	2005	2004
Current assets:		
- Cash and cash equivalents	54,115	72,739
- Accounts receivable and prepayments	275,058	100,224
	329,173	172,963
Equipment (note 4)	113,909	11,572
Mineral property interest (note 6)	6,682,178	4,557,518
	\$7,125,260	\$4,711,724
Current Liabilities	\$561,483	\$86,120
Exploration expenses	\$1,022,316	\$ -
Office and administration expense	\$ -	\$204,376

## 8. Related party transactions:

### (a) Balances payable:

The amounts due to related parties included in accounts payable and accrued liabilities, are non interest bearing, unsecured and due on demand, and comprise the following:

	2005	2004
Due to directors	45,000	19,167
Due to companies controlled by directors	-	118,890
	\$45,000	\$138,057

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
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Three months ended June 30, 2005

## 8. Related party transactions (continued):

(b) Related party transactions:

In addition to the related party transactions detailed elsewhere in these financial statements, a summary of the amounts charged, to the Company by officers, directors and by companies controlled by directors is as follows:

	2005	2004
Consulting fees	45,813	32,443
Management fees	-	94,497
Directors fees	85,000	119,167
	<u>\$130,813</u>	<u>\$246,107</u>

Certain of these amounts have been settled by the issue of common shares (note 5).

## 9. Segmented information:

The Company considers that it operates in a single reportable operating segment, being the exploration and development of mineral properties. Geographical information is as follows:

June 30, 2005	Canada	Vietnam	Other	Total
Revenue	12,826	-	17,069	29,895
Loss for the year	(326,942)	(1,689,848)	(7,923)	(2,024,713)
Assets	452,958	584,550	6,605	1,044,113

  

June 30, 2004	Canada	Vietnam	Other	Total
Revenue	-	-	-	-
Loss for the year	(332,773)	(352,634)	(55,407)	(740,814)
Assets	290,452	4,401,862	19,410	4,711,724

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Three months ended June 30, 2005

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## 10. Future income taxes:

Substantially all of the difference between the actual tax expense (recovery) of nil and the expected statutory income tax recovery relates to losses not previously recognized. The Company has no material temporary differences that would give rise to a future tax assets or liability.

## 11. Contingency:

A former director of the Company and a corporation controlled by him has instituted legal proceeding claiming severance payments in excess of amounts paid by the Company. The proceedings are being defended on the basis that no additional amount is payable. The former director is also alleging a right to a 0.25% gross royalty on the Company's share of smelter proceeds or other sale of product, less royalties, derived from the BPNM joint venture. While the Company continues to vigorously dispute any liability to make these payments the outcome of this matter is undeterminable.

## 12. Commitment:

On July 6, 2004, a subsidiary of the Company signed a memorandum of understanding with its joint venture investor partner, Mineral Development Company, to acquire their 20% interest in the BPNM joint venture for USD\$2,500,000; thereby increasing its interest to 90%. On July, 12 2005 the Company entered into a definitive Purchase Agreement with Mideco to acquire the 20% interest in the Ban Phuc Nickel Project. The completion of the transaction is subject to the granting of various Vietnamese central government ministerial approvals.

# ASIAN MINERAL RESOURCES LIMITED

Notes to Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)

Three months ended June 30, 2005

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## 13. Subsequent Events:

Subsequent to June 30, 2005 the following events occurred:

- (a) On July 12, 2005, the Company's wholly-owned subsidiary, AMR Nickel Limited, entered into a definitive Purchase Agreement with Mineral Development Company ("Mideco") to acquire their 20% interest in the Ban Phuc Nickel Project (the "Project") for US\$2.5 million thereby increasing AMR's interest to 90%. The remaining 10% will continue to be held by the other joint venture partner, Mechanical Engineering Company of Son La Province, Vietnam.
- (b) On July 12, 2005, the Company entered into a Subscription Agreement with Cambrian Mining PLC ("Cambrian") under which, subject to final TSX-V approval, AMR will issue approximately Cdn \$5 million of Senior Unsecured Convertible Notes (the "Notes") in tranches, with an interest rate of 7.5% and convertible into AMR common shares at \$0.50 per share until their July 12, 2006 maturity date. The Notes are issuable as Series A Notes aggregating Cdn \$1,971,500 million for working capital purposes and Project expenditures and Series B Notes to fund the US \$2.5 million Mideco purchase price with instalments comprising a 10% escrowed down payment, 80% (including the down payment) when certain conditions related to required amendments to the BPNM Joint Venture Agreement, Charter and Investment License have been satisfied, and a final 20% on the issue of mining approvals for the Project. Based on the current exchange rate, the total amount of Series B Notes to be issued will be approximately Cdn \$3.0 million. The Series A and B Notes will bear quarterly interest at 7.5% payable at AMR's option by issuing Series C Notes bearing the same interest rate (subject to certain restrictions as to the aggregate amount) or by the issuance of common shares. The Series A Notes and Series B Notes will be convertible until their maturity on July 12, 2006 into AMR common shares at a conversion price of \$0.50 a share, a 60% premium to the current AMR market price. The Series C Notes will be convertible until their maturity on July 12, 2006 into AMR common shares at a conversion price equal to the greater of \$0.50 a share and the discounted market price at the time the interest payment becomes due and subject to settlement. The Notes will be redeemable at 101% of their aggregate principal amount plus accrued interest, subject to Cambrian's right to convert prior to the redemption date.
- (c) On July 13, 2005, the Company drew down Cdn \$1,250,000 Series A Notes for working capital purposes and Cdn \$362,850 of Series B Notes, the proceeds of which were used to make the initial 10% escrow instalment of the Mideco purchase price.
- (d) On July 20, 2005, BPNM (i) submitted to the Vietnamese Ministry of Planning and Investment ("MPI") an application for a two-year extension (to July 31, 2007) of exploration rights within the original 150 km<sup>2</sup> granted exploration Concession and, (ii) advised MPI and the Son La Peoples Committee of its intention to proceed with a project over the 35 km<sup>2</sup> mining area within the Concession.