

A copy of this preliminary prospectus has been filed with the securities regulatory authorities in British Columbia and Alberta but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended or the securities laws of any state of the United States of America, and may not be offered or sold in the United States unless registered under applicable securities laws or unless an exemption from such registration is available.

INITIAL PUBLIC OFFERING

DATED: November 26, 2004

PRELIMINARY PROSPECTUS

AuEx Ventures, Inc.
(the “Company”)
940 Matley Lane, Suite 17
Reno, Nevada USA 89502
Tel: (775) 337-1545

**Offering of
4,000,000 common shares (the “Offered Shares”) at US\$0.40 per Offered Share
for proceeds of US\$1,600,000**

	Price⁽¹⁾	Agent’s Commission⁽²⁾ (payable in shares)	Proceeds to the Company
Per Offered Share	US\$0.40	US\$0.032	US\$0.40
Total	US\$1,600,000	US\$128,000	US\$1,600,000 ⁽³⁾

(1) The price per Offered Share has been determined by negotiation between the Company and Haywood Securities Inc. (the “Agent”).

(2) The Company will issue to the Agent: i) 320,000 common shares (the “Commission Shares”) in satisfaction of a commission equal to 8.0% of the gross proceeds raised pursuant to this offering; and ii) 100,000 common shares (the “Corporate Finance Shares”) as an advisory fee. The Agent will also be granted an option (the “Agent’s Option”) to acquire 400,000 common shares of the Company at a price per share of \$0.40 until the first anniversary of the date (the “Closing Date”) of completion of this offering. This prospectus also qualifies the issuance of the Commission Shares and the Corporate Finance Shares and the grant of the Agent’s Option. See “Plan of Distribution”.

(3) Before deduction of the costs of this offering that have not been paid to date, estimated to be \$100,000. See “Use of Funds”.

The Company is a “related issuer” of the Agent for the purposes of National Instrument 33-105 – Underwriting Conflicts by virtue of the fact that the Agent and its employees, partners, officers, directors and affiliates, as a group, own approximately 40% of the outstanding common shares of the Company as at the date of this prospectus. See “Relationship Between the Company and the Agent”.

Investment in the securities being offered involves a high degree of risk and investors should not invest any funds in this offering unless they can afford to lose their entire investment. See “Risk Factors”.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. An application has been made to list the common shares of the Company on the TSX Venture Exchange (the “Exchange”). Listing is subject to the Company fulfilling the listing requirements of the Exchange including prescribed distribution and financial requirements.

The Company and its promoters reside in the United States and the Company’s principal office is in the United States. Although the promoters and the Company have named Getz Prince Wells, Suite 1810-1111 West Georgia Street, Vancouver, British Columbia V6E 4M3 as their agent for service of process in British Columbia, it may not be possible for investors to collect from the Company or its promoters in respect of judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation.

The Agent, as agent, conditionally offers the Offered Shares if, as and when issued by the Company in accordance with the Agency Agreement referred to under “Plan of Distribution”, subject to approval of certain legal matters on behalf of the Company by Getz Prince Wells, Vancouver, British Columbia and on behalf of the Agent by McCullough O’Connor Irwin, Vancouver, British Columbia. No person is authorized to provide any information or to make any representation in connection with this offering other than as contained in this prospectus.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. All subscription funds received will be returned to the subscribers by the Agent without interest, set-off or deduction if this offering is not fully subscribed within 90 days from the date a receipt is issued for the (final) prospectus, or such later date as the Company and the Agent may agree and the securities regulatory authorities may approve.

Haywood Securities Inc.
20th Floor, Commerce Place, 400 Burrard Street
Vancouver, British Columbia
V6C 3A6

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SUMMARY OF PROSPECTUS

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. All references to dollars are to US dollars, unless expressly stated otherwise.

Upon completion of this offering:

- ***AuEx Ventures, Inc. will indirectly acquire all of the shares of AuEx, Inc. that it does not then own in exchange for Class B Non-Voting shares of a subsidiary of AuEx Ventures, Inc. The Class B Non-Voting shares will carry no material rights except the right of the holder to exchange such shares for common shares of AuEx Ventures, Inc. for no additional consideration.***
- ***AuEx, Inc. will acquire all of the membership interests in Pittston Nevada Gold Company, Ltd. in exchange for Class B Non-voting shares of a subsidiary of AuEx Ventures, Inc. Pittston Nevada Gold Company, Ltd. owns the Pequop Property. This property will constitute the sole material property of AuEx Ventures, Inc. for the purpose of this offering. See “Corporate Structure” and “Development of the Business of the Company – Proposed Significant Acquisition” for a description of the details of these transactions.***

Unless expressly indicated otherwise, all information in this prospectus is presented as if the acquisition of AuEx, Inc. and Pittston Nevada Gold Company, Ltd. had completed and all of the Class B Non-Voting shares had been exchanged for common shares of AuEx Ventures, Inc., in both cases as at the date of this prospectus. Further, unless the context requires otherwise, references to “the Company” are to AuEx Ventures, Inc., its subsidiary AuEx Holding, Inc., AuEx, Inc. and Pittston Nevada Gold Company, Ltd., on a consolidated basis.

The Company

The Company is in the business of acquiring interests in and exploring and, if warranted, developing mineral resource properties. AuEx, Inc. began operations in January of 2003, focusing initially on assembling a collection of mineral property interests. To date, AuEx, Inc. has acquired 11 mineral property interests, all in Nevada. See “Other Properties” for a description of these properties. Upon completion of this offering, AuEx, Inc. will acquire an interest in the Pequop Property. This interest will thereupon become the Company’s sole material property interest for the purpose of this offering. See “Development of the Business of the Company”.

The Offering

4,000,000 common shares at a price per share of \$0.40 for proceeds of \$1,600,000. A commission of 8% of the gross proceeds is payable to the Agent upon completion of this offering, such commission to be paid by issuing 320,000 common shares of the Company. In addition, upon completion of this offering the Company will grant to the Agent the Agent’s Option to purchase 400,000 common shares at a price per share of \$0.40 until the first anniversary of such completion; and the Company will issue to the Agent 100,000 common shares as an advisory fee. The issuance of all of the securities to be issued to the Agent upon completion of this offering is qualified by this prospectus. See “Plan of Distribution”.

Use of Funds

The proceeds to be received by the Company from the offering will be \$1,600,000 and, together with the working capital of the Company at October 31, 2004 of \$36,183, the Company will have available funds of \$1,636,183 to be used for the purposes listed below:

Purpose	Amount
Phase I Exploration budget for the Pequop Property ⁽¹⁾	\$554,000
Reclamation bond for the Pequop Property ⁽¹⁾⁽²⁾	283,000
Claim and contract fees to maintain the Other Properties ⁽³⁾	100,000
Estimated expenses of the offering not paid or accrued as at October 31, 2004	100,000
Estimated general and administrative expenses for the 12 months following this offering ⁽⁴⁾	400,000
Planned capital expenditures for the 12 months following completion of this offering	40,000
Working capital (unallocated) to fund ongoing operations	159,183
Total Funds Available:	<u>\$1,636,183</u>

(1) See “The Pequop Property – Recommendations”.

(2) See “Development of the Business of the Company – Proposed Significant Acquisition”.

(3) See “Other Properties”.

(4) The Company intends to retain the services of a Chief Financial Officer on a part-time basis following completion of this offering. The cost associated with this retainer is included in the Company’s estimate of its general and administrative expenses for the 12 months following completion of this offering.

Summary Financial Information

The selected financial information set out below is based on and derived from the audited financial statements for AuEx, Inc. for the fiscal year ended June 30, 2004 and for the period from the date of inception on January 16, 2003 to June 30, 2003, and should be read in conjunction with the financial statements which are attached to this prospectus:

Operating Data:

	Year ended June 30, 2004	From inception January 16, 2003 to June 30, 2003
Revenue	Nil	Nil
Expenses	\$317,309	\$93,943
Loss for the period	\$(317,309)	\$(93,943)
Basic and diluted loss per share	\$(0.05)	\$(0.02)

Balance Sheet Data:

	Year ended June 30, 2004	From inception January 16, 2003 to June 30, 2003
Total assets	\$776,129	\$180,289
Total current liabilities	\$133,931	\$54,232
Total long term liabilities	Nil	Nil

See “Selected Financial Information” and “Management’s Discussions and Analysis of Financial Condition and Results of Operations”.

Directors and Officers

The directors and officers of the Company are:

Ronald L. Parratt <i>President, Chief Executive Officer and Director</i>	Mr. Parratt's principal occupations during the last five years are as follows: President of AuEx, Inc. since January 2003; Manager of Parratt Geological Services, a privately held consulting firm (March 2002 to January 2003); Exploration Manager, North America (June 1999 to February 2002) and Director of Exploration, Americas (June 1997 to June 1999) of Homestake Mining Company, a gold mining company that merged with Barrick Gold Corporation in 2001.
Richard L. Bedell, Jr. <i>Vice President, Secretary and Director</i>	Mr. Bedell's principal occupations during the last five years are as follows: Vice President of AuEx, Inc., since January 2003; owner/operator of GeoCorp, a privately held consulting firm, since December 2000; Senior Geologist (September 1993 to November 2000) of Homestake Mining Company, a gold mining company that merged with Barrick Gold Corporation in 2001.
Lee A. Graber <i>Director</i>	Mr. Graber's principal occupations during the last five years are as follows: Mining industry consultant since March 2002; Managing Director, Mergers and Acquisitions for Endeavour Financial Ltd., a company involved in investment banking (July 2002 to November 2003); Vice President, Corporate Development (January 1983 to February 2002) with Homestake Mining Company, a gold mining company that merged with Barrick Gold Corporation in 2001.
Ralph W. Kettell II <i>Director</i>	Mr. Kettell's principal occupations during the last five years are as follows: Vice President of Lark Enterprises, a company involved in radio systems development since June 1992; founding partner of Nevada Sunrise, a private Nevada-focused resource company; founder Concentric Energy, a private energy resource company.
Dieter A. Krewedl <i>Director</i>	Mr. Krewedl's principal occupations during the last five years are as follows: Self-employed mining industry consultant since January 2004; Senior Vice President, Exploration of Coeur d'Alene Mines, a silver and gold producer with offices in Coeur d'Alene, Idaho (May 1998 to December 2003); Vice President, Exploration of Echo Bay Mines Ltd., a North American gold mining company (June 1996 to February 1998).

See "Directors and Officers".

Risk Factors

An investment in the Offered Shares is highly speculative and involves a number of significant risk factors. In addition to the factors disclosed elsewhere in this Prospectus, investors should consider the following risk factors in assessing the investment merits of the Offered Shares: (i) at present there is no known mineral resource on any of the Company's properties and there is no assurance that the Company's mineral exploration activities will result in any discoveries of bodies of commercial ore; (ii) it is impossible to assure that the current exploration programs planned by the Company will result in profitable commercial mining operations as few properties that are explored are ultimately developed into producing mines; (iii) the value of the Company's mineral properties is heavily influenced by metal prices which can and do change by substantial amounts over short periods of time and are affected by numerous factors beyond the control of the Company; (iv) there can be no assurance that additional financing required by the Company will be available at all or on favourable terms; (v) the Company has only recently commenced operations and has no

history of operating earnings; (vi) there can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its proposed projects; (vii) compliance with applicable laws and regulations may have an adverse effect on the profitability of any mining project that the Company might undertake; (viii) the Company's compliance with federal and state environmental laws may necessitate significant capital outlays or delays, may materially and adversely affect the economics of a given property, or may cause material changes or delays in the Company's intended exploration and development activities; (ix) the Company may be liable for environmental contamination and natural resource damages from present or past exploration or mining activities on the Company's properties; (x) changes in government policy may result in changes to laws that may affect the Company's ability to explore and develop its present and future properties; (xi) proposed changes to the U.S. General Mining Law of 1872 could adversely affect the economics of exploration and development of operating mines from the federal unpatented mining claims held by the Company on federal lands; (xii) the mineral exploration and mining business is competitive and there is no assurance that the Company will continue to be able to compete successfully in acquiring properties or prospects; (xiii) the Company's properties may be subject to prior unregistered agreements or transfers or third party claims, and title may be affected by undetected defects; there is no assurance that the interests of the Company in any of its properties may not be challenged or impugned; (xiv) the Company is dependent on a relatively small number of key personnel and there can be no guarantee that such personnel will continue to be available to the Company; (xv) it may not be possible for Canadian purchasers of Offered Shares to effect service of process within Canada upon the directors and officers of the Company that reside in the United States and it may not be possible to enforce judgments obtained in Canadian courts against the Company or its directors and officers who reside in the United States; (xvi) some of the directors and officers of the Company are directors and officers of other companies and their obligations to the Company and to such other companies may conflict and expose the Company to liability to others or impair its ability to achieve its business objectives; (xvii) the Company will remain at risk for hazards for which it cannot obtain insurance or for which it may elect not to obtain insurance because of premium costs or other reasons; (xviii) claims by third parties against the Company may delay the Company's work programs even if such claims are not meritorious; (xix) there is currently no market for the Company's common shares, there can be no assurance that an active market will develop or be sustained and the effect of various factors on the market price of the Company's common shares in the future cannot be predicted; and (xx) additional shares of the Company may be issued which will cause dilution to the ownership interests of the Company's shareholders. See "Risk Factors".

CORPORATE STRUCTURE

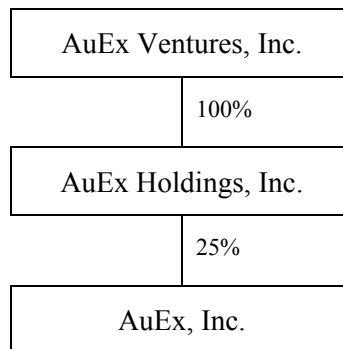
Present Corporate Structure

AuEx, Inc. was created pursuant to the laws of Nevada on January 16, 2003 as a limited liability corporation, under the name AuEx, LLC. Effective March 1, 2004, AuEx, Inc. converted from an LLC format to a C-corp. format under the laws of Nevada.

On the initiative of AuEx, Inc.: i) on May 10, 2004, the Company was incorporated under the name AuEx Ventures, Inc. pursuant to the *Business Corporations Act* (British Columbia); and ii) on June 14, 2004, AuEx Holdings, Inc. (“Holdings”) was incorporated under the laws of Nevada and became a wholly-owned subsidiary of the Company. On August 10, 2004, Holdings subscribed for 2,500,000 common shares in the capital of AuEx, Inc., which as at the date of this prospectus represents approximately 25% of the outstanding shares of AuEx, Inc. after giving effect to that subscription.

The Company was incorporated to facilitate an initial public offering of AuEx, Inc. in British Columbia and Alberta, indirectly through the Company; and Holdings was incorporated for this same purpose, its specific role being to facilitate the Company’s indirect acquisition of AuEx, Inc. by way of the merger of it with Holdings when the initial public offering completes. See “Proposed Corporate Structure”.

As at the date of this prospectus, the corporate ownership structure of the Company is as follows:



Proposed Corporate Structure

AuEx, Inc., Holdings and certain shareholders of AuEx, Inc. entered into an Amended Agreement and Plan of Merger (the “Merger Agreement”) dated November 29, 2004. The Merger Agreement provides for the merger (the “Merger”) of AuEx, Inc. into Holdings in accordance with Nevada Revised Statutes, such Merger being a condition of, and to complete immediately after, completion of this offering. As a result of the Merger, the separate corporate existence of AuEx, Inc. will cease and Holdings will continue as the surviving corporation and will succeed to and assume all of the rights, properties, liabilities and obligations of AuEx, Inc.

The authorized share capital of Holdings consists of 100,000,000 Class A Voting common shares, of which 1,000 are outstanding and are held by the Company, and 100,000,000 Class B Non-Voting common shares, none of which are outstanding as at the date of this prospectus.

The holders of Class A Voting common shares of Holdings are entitled to vote at all meetings of shareholders of Holdings, to receive dividends if, as and when declared by the directors and, subject to the rights of holders of any shares ranking in priority to or on a parity with the Class A Voting common shares, to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Company.

The Class B Non-Voting common shares of Holdings (the “Exchangeable Shares”) will be issued upon the Merger being effected in exchange for common shares of AuEx, Inc. The holders of the Exchangeable Shares will

not be entitled to vote at meetings of shareholders of Holdings, will not be entitled to receive dividends and will not be entitled to participate in any distribution of property or assets upon the liquidation, winding-up or other dissolution of Company. However, a holder of Exchangeable Shares may require Holdings to redeem all or a part of such holder's Exchangeable Shares for consideration consisting of common shares of the Company on the basis of one Exchangeable Share for one common share of the Company. Holdings has the right to redeem all of the issued and outstanding Exchangeable Shares if the total number of such shares issued and outstanding is five percent or less than the total number of such shares that were issued or were subject to issuance upon exercise of any warrants outstanding as of the effective date of the Merger. Holdings has agreed to take the steps necessary to comply with and to ensure performance and compliance by the Company with the provisions of the Support Agreement described below. Any amendment to the Voting Trust Agreement described below will require the approval of at least a majority of the issued and outstanding Exchangeable Shares. See "Share Capital".

Upon the Merger being effected:

- each outstanding common share of AuEx, Inc. will be cancelled, but each such common share that is not held by Holdings will be converted into one Exchangeable Share;
- each outstanding warrant entitling the holder to purchase one common share of AuEx, Inc. (an "AuEx Warrant") will be exchangeable for a warrant to purchase one Exchangeable Share of Holdings on the same terms on which such AuEx Warrant provided for the holder to purchase one common share of AuEx, Inc.;
- each outstanding Class A Voting common share of Holdings shall continue to be one Class A Voting common share of Holdings;
- Holdings and the Company will enter into an Exchangeable Share Support Agreement (the "Support Agreement") providing for each Exchangeable Share of Holdings to be exchangeable for one Common Share of the Company at the option of the holder of the Exchangeable Share. The Support Agreement will also provide that:
 - (a) so long as any Exchangeable Shares of Holdings remain outstanding the Company will remain the direct or indirect beneficial owner of all outstanding Class A Voting common shares of Holdings;
 - (b) so long as there are any Exchangeable Shares of Holdings outstanding, the Company will in good faith take the steps necessary for the Company's common shares to remain and be listed for trading;
 - (c) without the prior approval of Holdings and the holders of the Exchangeable Shares of Holdings, the Company will not (i) declare dividends payable in Company common shares or (ii) issue or distribute to the holders of all or substantially all of the then outstanding common shares of the Company rights to subscribe for or purchase the Company's common shares or (iii) issue or distribute to the holders of all or substantially all of the then outstanding Company common shares other securities or evidence of indebtedness of the Company or assets of the Company, in each case unless the economic equivalent on a per share basis is issued or distributed simultaneously to the holders of the Exchangeable Shares; and
 - (d) without the prior approval of Holdings and the holders of the Exchangeable Shares of Holdings, the Company will not (i) subdivide or (ii) consolidate or (iii) reclassify or otherwise change Company common shares or effect an amalgamation, merger, reorganization or other transaction affecting Company common shares, in each case unless the same or an economically equivalent change will simultaneously be made to, or in the rights of the holders of, the Exchangeable Shares; and

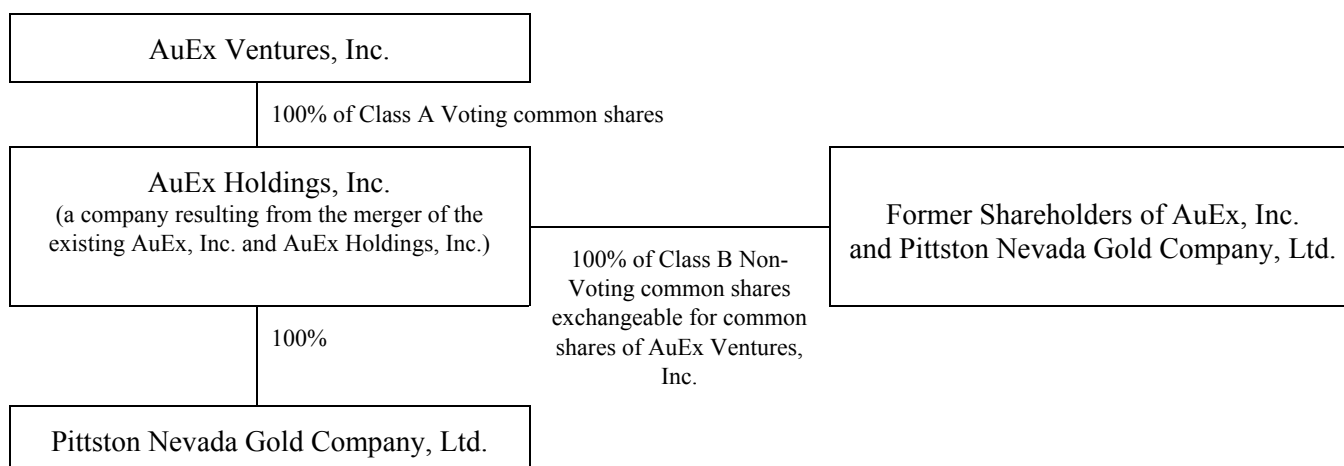
- the Company will issue the Special Voting share (see “Share Capital”) to Pacific Corporate Trust Company, and Holdings, the Company and Pacific Corporate Trust Company will enter into a Voting Trust Agreement. The Company’s Special Voting share may be voted at all annual and extraordinary general meetings of the common shareholders of the Company and will have attached to it that number of votes equal to the number of Exchangeable Shares of Holdings outstanding at any given time, subject to adjustment in certain circumstances. See “Share Capital”. Pursuant to the Voting Trust Agreement, Pacific Corporate Trust Company will exercise the voting rights attached to the Special Voting share to the extent and in accordance with the voting instructions it receives from the holders of the Exchangeable Shares of Holdings.

A number of conditions must be satisfied before the Merger will be effected including completion of this offering.

The Merger Agreement may be terminated at any time prior to the Merger being effected by the mutual agreement of AuEx, Inc. and Holdings, or by either party if the other is in material breach of its obligations thereunder or by either party at any time after December 31, 2005 if the Merger has not been effected other than as a result of a breach of the Merger Agreement by such party.

AuEx, Inc. has also agreed to acquire all of the outstanding membership interests in Pittston Nevada Gold Company, Ltd., which owns the Pequop Property described below, upon completion of this offering. See “Development of the Business of the Company – Proposed Significant Acquisition”.

In summary, two material acquisitions will complete substantially concurrently with the completion of this offering: first, the Company will acquire AuEx, Inc.; and secondly, AuEx, Inc. will acquire Pittston Nevada Gold Company, Ltd. After giving effect to those two acquisitions, the corporate ownership structure of the Company will be as follows:



As at November 15, 2004, after giving effect to the Merger Agreement and the acquisition of Pittston Nevada Gold Company, Ltd., and assuming the exchange of all of the Exchangeable Shares, prior to completion of this offering there are 10,493,991 common shares in the capital of AuEx Ventures, Inc. outstanding; and after giving effect to this offering, there will be 14,913,991 common shares in the capital of AuEx Ventures, Inc. outstanding. See “Options and Other Rights to Purchase Shares” for a description of the outstanding dilutive securities; and “Development of the Business of the Company – Significant Acquisition” for a description of the proposed acquisition of Pittston Nevada Gold Company, Ltd.

The Company’s head office is located at 940 Matley Lane, Suite 17, Reno, Nevada USA 89502. The Company’s registered office is located at 1810-1111 West Georgia Street, Vancouver, British Columbia, V6E 4M3.

DEVELOPMENT OF THE BUSINESS OF THE COMPANY

Description and General Development

The Company is in the business of acquiring interests in and exploring and, if warranted, developing mineral resource properties. AuEx, Inc. began operations in January of 2003, focussing initially on assembling a collection of mineral property interests. To date, AuEx, Inc. has acquired 11 mineral property interests, all in Nevada. See “Other Properties” for a description of these properties. Upon completion of this offering, AuEx, Inc. will acquire a 100% interest in the Pequop Property. This interest will thereupon become the Company’s sole material property interest for the purpose, and as at completion, of this offering. See “Development of the Business of the Company – Proposed Significant Acquisition” and “The Pequop Property”.

Proposed Significant Acquisition

On August 18, 2004 (the “Effective Date”) AuEx, Inc. entered into a Members’ Interest Purchase Agreement, as amended by agreement dated October 5, 2004 (the “Pequop Agreement”) with PMV Gold Company and MPI Gold (USA) Ltd. (together the “Sellers”) for the purchase by AuEx, Inc. of 100% of the membership interests of Pittston Nevada Gold Company, Ltd. (“PNGC”), a Nevada limited liability company. PNGC is the owner of the Pequop Property, situated in Elko County, Nevada and consisting of approximately 407 unpatented lode mining claims and 160 acres of land owned by PNGC and 610 acres of land leased by PNGC.

The Pequop Agreement provides that by February 28, 2005, AuEx, Inc. will replace the reclamation bond that has been provided by the Sellers in relation to the Pequop Property, failing which the Sellers may terminate the Pequop Agreement; and that, subject to certain stated exceptions, AuEx, Inc. will replace the reclamation bond upon completion of the Pequop Agreement. The reclamation bond is in support of an approved Bureau of Land Management Plan of Operations for the Pequop Property and a Notice of Intent for a portion of the Pequop Property. Approximately 20 acres are presently disturbed on the Pequop Property and about 80 acres of additional disturbance are authorized for drill site access and drilling sites for further exploration activity. The current disturbance consists of access roads and drill sites from earlier exploration conducted by PNGC. The total cost of reclamation for this existing disturbance is believed to be approximately \$100,000 to \$125,000 and, as part of the Pequop Agreement, AuEx, Inc. has accepted financial responsibility for this reclamation. There has been no mining on the Pequop Property. The amount of the existing reclamation bond is approximately \$443,000 and the Company plans to replace this bond with a certificate of deposit or other similar cash surety which will be refunded upon completion of the reclamation. The estimated first year requirement for the Company to initiate a bond replacement for the current PNGC cash bond of \$443,000 is \$283,000, with subsequent annual costs being approximately \$41,000 to maintain the bonding in force.

The closing (the “Closing”) of the purchase and sale will take place on the earliest of five days after AuEx, Inc. replaces the reclamation bond, completion of this offering and February 28, 2005.

The purchase price for all of the outstanding membership interests in PNGC is as follows:

- (a) On Closing, the Sellers are to receive 300,000 common shares of AuEx, Inc.
- (b) On the second anniversary of the Effective Date, being August 18, 2006, the Sellers are to receive an additional 300,000 common shares of AuEx, Inc.
- (c) If before the fifth anniversary of the Effective Date, being August 18, 2009, at least 500,000 troy ounces of gold have been defined on the Pequop Property, the Sellers are to receive an additional 250,000 common shares of AuEx, Inc.
- (d) If before the fifth anniversary of the Effective Date, being August 18, 2009, an additional 500,000 troy ounces of gold, for a total of at least 1,000,000 troy ounces of gold, have been defined on the Pequop Property, the Sellers are to receive an additional 250,000 common shares of AuEx, Inc.

After the Merger completes, Exchangeable Shares will be issued in lieu of any shares of AuEx, Inc. issuable under the Pequop Agreement.

However, if the purchase and sale closes because AuEx, Inc. has replaced the reclamation bond, but an initial public offering does not complete within two years after the Effective Date, being August 18, 2006, at the Sellers option either AuEx, Inc. will transfer the ownership of PNGC back to the Sellers or PNGC will transfer the Pequop Property to the Sellers and the Sellers will pay to AuEx, Inc. the sum of US\$10,000 for each annual assessment year for which AuEx, Inc. has paid the federal annual mining claim maintenance fees for the unpatented mining claims which comprise part of the Pequop Property.

The Pequop Agreement also provides that AuEx, Inc. has a right of first refusal in respect of any shares received by the Sellers pursuant to the Pequop Agreement which the Sellers wish to dispose of to any unaffiliated third party.

The Pequop Agreement provides for AuEx, Inc. to have limited exploration rights to the Pequop Property as of the Effective Date until Closing of the sale and purchase or termination of the Pequop Agreement, pursuant to an Exploration License Agreement granted by PNGC to AuEx, Inc. concurrently with the signing of the Pequop Agreement. Further, AuEx, Inc. has agreed to be responsible for the obligations of PNGC with respect to the Pequop Property from the Effective Date including the costs of the reclamation bond premiums, the assessment work requirements for the Pequop Property, the annual Federal mining claim maintenance fees for the Pequop Property and obligations under applicable contracts. AuEx, Inc. also agreed to maintain comprehensive general liability insurance for the Pequop Property.

As indicated above, PNGC leases about 610 acres of area comprising the Pequop Property. It does so pursuant to the Mining Lease and Option to Purchase Agreement (the “Pequop Lease”) between Nevada Land and Resource Company, LLC (“NLRC”) and PNGC effective as of June 1, 2000. The Pequop Lease is for a term of five years, renewable by PNGC for 20 additional one-year terms. The Pequop Lease provides (i) for PNGC to pay annual rent as follows: \$3,050 on execution of the Pequop Lease, \$4,575, \$6,100 and \$7625 on the first, second and third anniversary, respectively of the Pequop Lease, and \$9,150 on the fourth and each subsequent anniversary; (ii) an option to PNGC to purchase the subject property for \$152,500 less the rental payments made; and (iii) a net smelter royalty in favour of NLRC of 3% for gold, silver and platinum produced from the subject property and of 2% for other minerals produced. PNGC may terminate the Pequop License on 30 days notice in writing to NLRC. The Pequop Lease also provides PNGC with a right of first refusal if NLRC wishes to sell the surface title to the subject property. The right of first refusal does not apply to NLRC’s title to the minerals or to the net smelter royalty payable under the Pequop Lease.

THE PEQUOP PROPERTY

Summary

The information in this prospectus with respect to the Pequop Property, including the Figures and Tables referenced below, is derived from a technical report dated November 3, 2004, entitled ‘Pequop Exploration Property, Nevada U.S.A.’ (the “Technical Report”) written by Allan V. Moran, a professional geologist, who was retained by AuEx, Inc. to prepare a technical report compliant with National Instrument 43-101 – Standards of Disclosure for Mineral Projects. Mr. Moran visited the Pequop Property during the period August 25 to 27, 2004. Mr. Moran is a “Qualified Person” and considered “independent” as both those terms are defined in National Instrument 43-101. The full text of the Technical Report is available for review at the office of the Company at 940 Matley Lane, Suite 17, Reno, Nevada USA 89502, and may also be accessed by the reader of this prospectus on the SEDAR website at www.sedar.com.

Property Description and Location

Location

The Pequop Property is located in the Pequop mountain range, Elko County, northeastern Nevada; approximately 23 miles by road southeast from the town of Wells, Nevada (Figure 4.1), and approximately 10 miles south of Interstate Highway 80. It consists of approximately 14 square miles of land that traverses east-west across the mountain range. The approximate geographic center of the Pequop Property is located at 110,703,000 m East and 4,538,000 m N (UTM coordinates).

Surface Area of the Property

The Pequop Property consists of 407 unpatented mining claims, 160 acres of fee lands and 610 acres of leased fee lands in a contiguous block of land.

The total land package encompasses part of sections 23 and 29 and all of sections 25, 26, 27, 28, 32, 33, 34, 35, and 36, T36N, R65E, and part of sections 21 and 28, and all of sections 20, 29, 30, 31, and 32, T36N, R66E; Mount Diablo Baseline and Meridian.

Mining Claims

There are 407 unpatented active mining claims. The unpatented mining claims are located in the field with 2-inch square wooden posts (as per Nevada staking regulations), and while validity and location of the unpatented mining claims has not been independently verified in the field, several claim location monuments and claim corners were noted by Mr. Moran, the author of the Technical Report, during the field visit. AuEx, Inc. represents that its list of unpatented claims (included as Table 4.3 in the Technical Report) is complete and accurate as of September 1, 2004; and the claims are valid through August 31, 2005.

Ownership of unpatented mining claims are in the name of the holder (locator), with ownership of the minerals belonging to the United States of America, under the administration of the U.S. Bureau of Land Management ("BLM"). Under the Mining law of 1872 which governs the location of unpatented mining claims on Federal lands, the locator has the right to explore, develop, and mine minerals on unpatented mining claims without payments of production royalties to the Federal government. It should also be noted that in recent years there has been U.S. Congressional efforts to change the 1872 mining law, to include the provision of federal production royalties; however, currently annual claim maintenance fees are the only federal encumbrances to unpatented mining claims. Nevada BLM records of mining claims can be searched on-line at www.nv.blm.gov/lr2000.

Titles and Obligations

Title to the unpatented mining claims, fee lands, and leased fee lands that comprise the Pequop Property, are all held by PNGC. Pursuant to the Pequop Agreement, AuEx, Inc. has agreed to acquire all of the outstanding membership interests in PNGC. See "Development of the Business of the Company – Proposed Significant Acquisition".

As of September 1, 2004, PNGC's land holding consist of the following:

1. 407 unpatented lode mining claims covering approximately 14 sections (square miles) of lands in Township 36 N, Ranges 65 and 66 E.
2. 160 acres of fee land in Section 29, T36N, R65E; 100% fee-simple ownership.
3. Approximately 610 acres of fee lands held through a five-year Mining Lease and Option to Purchase dated June 1, 2000 between PNGC and Nevada Land and Resource Company, LLC. The lease is renewable for twenty 1-year periods after the initial 5-year term.

The total land holding costs are approximately \$66,000, as further defined below:

Land	Due Date	Amount
407 Unpatented mining claims	BLM: September,01, 2004 (annual claim maintenance fees-paid)	\$51,000
	Elko County: January 01, 2005 (annual recording fees)	\$6,100
610 acre lease – Section 33, Nevada Land and Resource Company, LLC	June 15, 2004 (paid)	\$9,150
160 acres fee lands – Section 29	Annually (taxes)	\$150
TOTAL		\$66,400

Royalties and Other Encumbrances

The 407 unpatented lode mining claims comprising the Pequop Property have no third party royalties or encumbrances; and no terms for production or other royalties to be owed by AuEx, Inc. to PNGC or its owners, as a result of the Pequop Agreement. There are no federal government production royalties applicable to unpatented lode mining claims.

The 610 acre parcel of fee land leased from Nevada Land and Resource Company, LLC, is subject to a 3% net smelter production royalty on any gold, silver and platinum production, and 2% for any other mineral production from that parcel of land. All the exploration targets thus far defined, and exploration drill holes to date, have been outside this parcel of land.

The 160 acre parcel of fee land owned by PNGC was acquired for access purposes and PNGC does not control the underlying mineral rights.

Should any gold production occur from the Pequop Property, such production would be subject to the State of Nevada Net Proceeds of Mine Tax, which is limited to 5% of the production net proceeds (similar to a 5% net profits tax). This is a tax that is levied by the State on Nevada on all mine production in the state.

The only other encumbrance to the Pequop Property relates to reclamation obligations as defined in “Property Description and Location – Environmental Liabilities”.

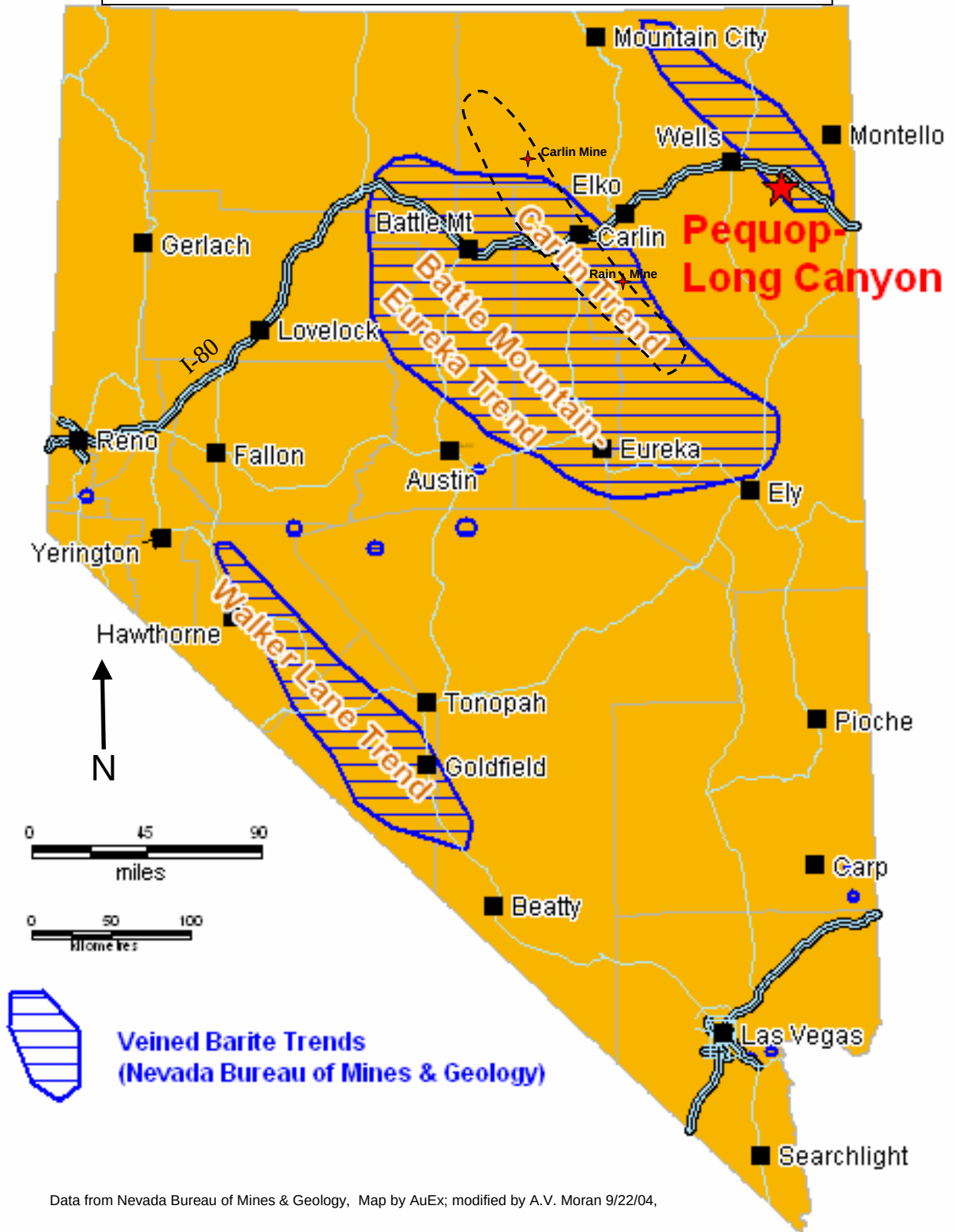
Legal Surveys

Copies of MT Plats (master title plats) are available from the BLM, and they provide information on the basic ownership (fee versus public) of lands within each Township (six square mile legal land subdivision). Copies of MT Plats are also present in the office files of AuEx, Inc. Copies of individual unpatented mining claim notices and the detailed map showing their locations are on file with the BLM office in Reno, Nevada, and with the Elko County Recorder’s office in Elko Nevada. The claim notices and maps on file with the BLM and County constitute the legal descriptions of the unpatented mining claims; and the locations in the field take precedent should there be a discrepancy with descriptions or maps (none are known). The BLM serial numbers (NMC numbers) for each claim or claim group are sufficient information to identify specific claims and their detailed description and map which are on file.

Property Description

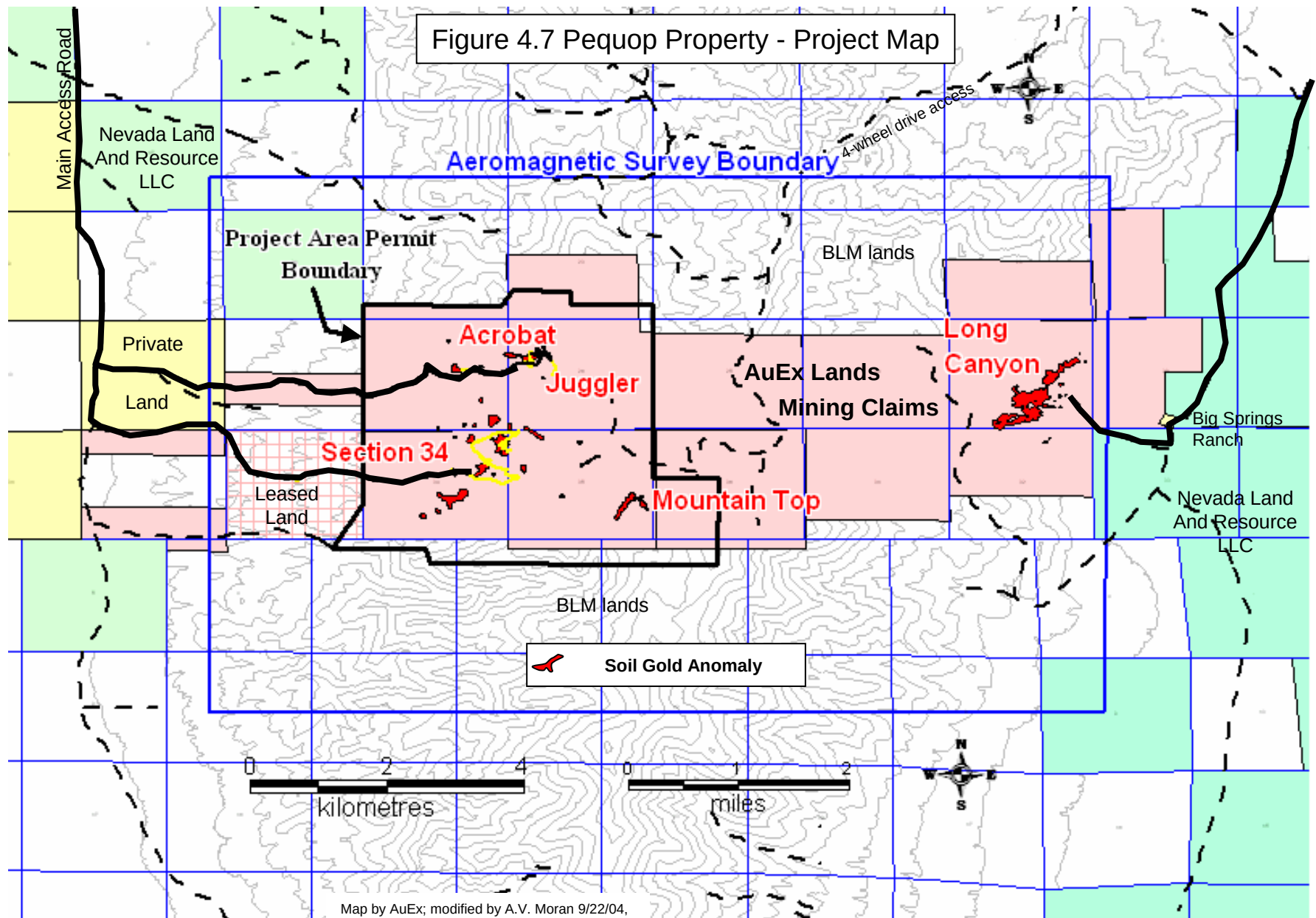
The Pequop Property in general is a contiguous block of land that is approximately 2 miles in width north-south, and extends from the west side of the Pequop Mountains, east for approximately 7 miles to the east side of the mountain range, terminating at the Big Springs Ranch. The property traverses rugged mountainous terrain from elevations of 5500 to over 9000 feet (1680 to 2750 m). Figure 4.7 is a general property map showing the property outline, access routes, and exploration target areas within the permitted exploration area.

Figure 4.1 Pequop Property – Nevada Location Map



Data from Nevada Bureau of Mines & Geology, Map by AuEx; modified by A.V. Moran 9/22/04,

Figure 4.7 Pequop Property - Project Map



Environmental Liabilities

Environmental liabilities all relate to reclamation liabilities for exploration activities conducted by PNGC during the period of 1994 to 2000; as there were no previous mineral exploration activities, or any other ground disturbances in the area. The primary environmental liability is covered by bonding in place relating to an Environmental Assessment that is tied to the BLM Plan of Operation under which exploration activities have been conducted, as described in “Property Description and Location – Permits and Licenses”. There are no historical mineral prospects or mines on the property, and no archeological or historical sites of consequence.

Permits and Licenses

There are several permits in place which provide for continuing exploration activities at the Pequop Property.

Exploration activities for the western part of the Pequop Property are permitted under a revised Plan of Operations with the BLM, dated May 24, 2000; Plan number NV071287. That plan allows for up to 100 acres of total ground disturbance for the purposes of mineral exploration, in phases, within the permitted project area as shown on Figure 4.7. Some of the earliest drill access roads/drill sites have been reclaimed and re-seeded; however, there is currently about 20 acres of total disturbance in the form of open drill access roads and drill sites.

As part of the requirement for an approved Plan of Operations, an Environmental Assessment is required to address the magnitude of proposed disturbance and the methods and costs required to mitigate the proposed disturbance. The details of the approved Plan of Operations/Permit for Reclamation are contained in the original Plan of Operations dated September 1999 and revised in March, 2000, then approved on May 24, 2000 as referenced above; and in the Pequop Environmental Assessment BLM/EK/PL-2000/011,3809, N17-99-002P, N-66237 (BLM May, 2000). The Environmental Assessment resulted in a “Finding of No Significant Impact” (FONSI) on May 24, 2000, which means that proposed disturbance could proceed with appropriate bonding and reclamation plans in place. Both the BLM Plan of Operations and the Environmental Assessment are public documents that are available for review in the Elko, Nevada office of the BLM. The BLM Plan of Operations/Permit for Reclamation was issued a new BLM serial number, NV071287, on February 7, 2001.

An appeal of the BLM issued Plan of Operations was submitted by Great Basin Mine Watch on June 7, 2000, in an attempt to stop the planned exploration activities. That appeal was processed through the BLM’s Internal Board of Land Appeals (“IBLA”), and a decision affirming the BLM issued Plan of Operations was reached on July 18, 2003. As of the date of the Technical Report, Great Basin Mine Watch had not appealed the IBLA decision to the federal courts. Exploration activities were last conducted by PNGC, under the approved Plan of Operations, during 2000.

Reclamation is regulated through the BLM in concert with the State of Nevada, Department of Conservation and Natural Resources, Division of Environmental Protection (“NDEP”). The NDEP issued Reclamation Permit No. 0193 on May 21, 2000. Reclamation bonding is set at \$443,395, for which PNGC has implemented a Statewide Reclamation bond with the Nevada State Office of the BLM for that amount. An annual disturbance summary report was prepared for PNGC on April 13, 2004, by EnvirosScientists, Inc., Reno, Nevada, and submitted to the BLM and NDEP. Such reports are required prior to April 15, annually to describe the total acreage of disturbance. The total acreage of disturbed public and private lands under the Plan of Operations is stated at 19.25 acres (as of December 31, 2003 – there has been no exploration or disturbance since). The 19.25 acres of total disturbance includes approximately 1.64 acres of initial disturbance that has been reclaimed but not yet released, while awaiting successful re-vegetation, and 1.37 acres of disturbance on private land. The annual fees submitted to the NDEP in regard to the annual disturbance summary report were \$536 for 2004; based upon \$1.50 per public acre and \$5.50 per private acre.

The Long Canyon target within the Pequop Property is located outside the approved Plan of Operations, being located on the east side of the mountain range with different access. Exploration activities conducted at Long Canyon were done so under a BLM Notice of Intent, which allows for exploration disturbance up to a

maximum of 5.0 acres, without the need for an Environmental Assessment, although an archeological survey was completed by PNGC (though not required). Total disturbance in the form of drill road access and drills sites at Long Canyon amounts to 1.93 acres, leaving 3.07 acres available for additional work. Separate bonding requirements for the reclamation at the Long Canyon are set at \$21,141; and PNGC has that bond amount in place as part of a statewide bond.

A water well permit is in place and allows for the pumping of 35,000 gallons per day for 252 days per year. The permit, serial #62041, was issued in 1996 by the Division of Water Resources, Department of Conservation and Natural Resources of the State of Nevada. A water well was drilled in Section 20, T36N, R65E, and the water has been used to support exploration drilling activities. Annual costs to maintain the permit are approximately \$500. Water rights in Nevada are typically granted through appropriation from the State of Nevada. And after a water well is in place, the appropriation process requires the application for “beneficial use” based upon the water that is actually used, rather than the amount of water that is requested. Application for beneficial use has been postponed until such time as the water is being used to maximum capacity in support of exploration activities.

A Contract of Sale was issued through the BLM on October 25, 2000 for the use of surface materials, sand and gravel, located in the S1/2, SW1/4, SE1/4, NW1/4 of Section 20, T36N, R65E; approximately a 5 acre site. The permit provided for the extraction from a borrow pit of 5000 cubic yards of sand and gravel to be used on exploration road surfaces in support of drilling activities. The permit required payments of \$0.50 per cubic yard of material, payable in installments of not less than \$500. The site was used by PNGC, and has been reclaimed and re-seeded, but not yet released from reclamation bonding requirements while awaiting successful re-vegetation.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Topography and Vegetation

The Pequop Property lies in the Basin and Range physiographic province of Nevada and western Utah, which is a series of northerly trending mountain ranges of typically 2000 to 5000 feet of topographic relief with broad relatively flat intervening valleys. The Pequop Property occurs in the south-central portion of the Pequop Mountain range of Eastern Nevada. Elevations range from 5500 feet above sea level in the valleys on the east and west sides of the Pequop Mountains, to elevations of over 9000 feet on the ridge tops. Elevations for the Acrobat, Juggler and Section 34 targets on the western side off the range are at about 7700-8000 feet, and the Long Canyon target on the east side of the range is about 6400 feet at its lowest (northeastern most) point.

The lower slopes of the project area are covered by sage brush, progressing up-slope to Pinion Pine and Juniper woodlands; typical high desert mountain vegetations. Locally scattered Sub-Alpine Fir, Limber Pine, and Mountain Mahogany woodland stands are present at higher slope elevations; giving way to sage brush and grasses on the otherwise barren ridge tops.

Means of Access to the Property

Access to the west side of the Pequop Property is via Interstate Highway 80 east 13.0 miles from Wells, Nevada to exit 365 (Independence Valley exit), then proceeding east on the south frontage road for 2.0 miles, and then south on an unimproved gravel road 8.5 miles to the west edge of the property (Figure 4.1). A two-track four wheel drive road for 3 miles to the east ends at the Acrobat and Juggler exploration targets. A second two-track four-wheel drive road accesses the Section 34 target.

The east side of the Pequop Property is accessed by driving 27 miles east of Wells, Nevada on Interstate Highway 80 to exit 378 (Oasis, Montello), then proceeding on an unimproved gravel road south 4.0 miles to the Big Springs Ranch, and continuing 0.5 miles further south to a two-track four-wheel drive access road. The Long Canyon target is located in the low eastern hills of the Pequop Mountains, 2 miles west of the Big Springs ranch.

Proximity to Population Centers

Wells, Nevada is the nearest town with services and a population of less than 3000; however, Elko Nevada is located another 50 miles west of Wells on Interstate 80. Elko has a population base of 30,000 to 40,000, and is a support community for many major gold mining operations in northern Nevada. As such, Elko has all the services available to support gold exploration and development activities.

Climate and Operating Seasons

Climate is typical for the high-desert regions of Northern Nevada, with usually hot dry summers and cold snowy winters. Summer high temperatures can peak at 100 degrees Fahrenheit (F), with winter low temperatures typically at 0 to 15 degrees F, and winter high temperatures of only 30-40 degrees. Most of the precipitation for the region falls as snow in the winter months, with lesser precipitation as rainfall in the Spring and as thunderstorms during the late summer. Winter storms can deposit many feet of snow in the upper mountains, with elevations above 7000 being continually snow covered from November through April. The highest elevations can have snow accumulation in the tens of feet.

In the absence of better road access, and the on-site presence of equipment necessary to keep roads open, the typical exploration operating season for the Pequop Property would be from mid-late May through mid-November. Drilling activities are commonly conducted during June through October. Improved road access and road maintenance/snow removal equipment can extend the exploration operating season through the winter months if necessary.

Surface Rights and Availability of Resources and Personnel

Currently there are no access or surface use agreements in place except for the Material site permit for sand and gravel described in “Property Description and Location – Permits and Licenses”. The 160 acres of fee land owned by PNGC in Section 29, T36N, R65E provides access off the main public gravel road on the west side of the property, although the current access road crosses fee lands for a short section before continuing onto BLM land held by unpatented mining claims. PNGC did have a surface access agreement in place for this short section of access road, but it is not now in effect. It is anticipated that a surface access agreement will be re-instated by AuEx, Inc., but it is not critical, as the access road could be re-routed to continue on the 160 acre fee parcel if required – access to the west side of the Pequop Property is secured.

Access to the Long Canyon target on the east side of the Pequop Property is through the Big Springs Ranch fee lands. PNGC had a surface access agreement in place during the drilling program, which had no associated usage fees. That agreement is not now in effect, but will be re-instated by AuEx, Inc. Surface access to the Long Canyon target is not a significant issue.

Water for drilling is available to the west side exploration targets from the water well, pump, and generator that are owned by PGNC. Water for drilling at Long Canyon is available from the Big Springs Ranch.

Reverse circulation (“RC”) drilling contractors, heavy equipment contractors, and field technical personnel are all available from service companies and contractors in Elko, Nevada. Furthermore, should an economic gold deposit be discovered on the Pequop Property, experienced mining personnel and equipment suppliers are available in Elko as well.

Electric power (for domestic use) is available at the Big Springs Ranch; however, there is no power grid in the Independence Valley on the west side of the project. The nearest major power grid is near the east-west rail line; both located approximately 9-10 miles north of the Pequop Property, north of Interstate Highway 80.

History

Ownership

Prior to 1994, there were no mining claims of record for the Pequop Property. PNGC conducted the first known exploration into the range, based upon a regional bulk leach extractable gold (“BLEG”) (see “History – Historical Exploration”) sampling program. Prior to PNGC activities, the project was part of the “checkerboard” lands of Nevada, which is a checkerboard pattern of alternating sections being public and private. In this case, the private lands were held by Big Springs Associates, a California holding company, as private ranch lands, with the alternating sections being BLM administered lands.

PNGC staked some initial unpatented mining claims in 1994, on BLM lands in the checkerboard. PNGC pursued exploration on staked mining claims during the period of 1994 to 1999, while monitoring the progress on a land exchange between the BLM and Big Springs Associates. The land exchange between the BLM and Big Springs Associates became final on May 20, 1999, and following a 90-day segregation period, the BLM acquired lands became open for location of mining claims. PNGC located mining claims on alternate section in August of 1999 thus consolidating a contiguous block of land in the range. Additional exploration identified the Long Canyon target area, and additional mining claims were located there in 2000.

The mining claims, and additionally acquired fee and leased lands described in “Property Description and Location – Titles and Obligations” are all held by PNGC. PNGC was formed in 1993 as a jointly owned gold exploration program. The joint owners were MPI Gold (USA) Ltd., a US subsidiary of Mining Project Investors Pty Ltd of Melbourne, Australia; and PMV Gold Company, a subsidiary of the Pittston Company of Richmond, Virginia (now the Brinks Company). In August of 2002, PMV Gold Company acquired all the shares of MPI Gold (USA) Ltd., thereby consolidating 100% interest in PNGC and the Pequop Property with PMV Gold Company.

Historical Exploration

Aside from a couple of small historical lead-zinc prospects located north of the Pequop Property, there is no evidence on historical mineral prospecting, mining, or modern day mineral exploration prior to 1994 for the Pequop Property.

PNGC first became interested in the region in 1994, by way of a regional BLEG geochemical sampling program. BLEG is a modified form of stream sediment sampling and analysis that is used to detect low levels of gold in surficial material. It was developed and widely used as a gold exploration technique in Australia, and has been utilized in the arid desert region of the Basin and Range Province in the US. PNGC’s BLEG sampling identified samples with anomalous gold from the dry wash drainages on the flanks of the Pequop Range.

Follow-up sampling into the range led to the discovery outcrop of jasperoid on the current Acrobat exploration target; an outcrop with +10 g/t gold. Additional geochemical work including stream sediment sampling, ridge and spur soil sampling, detailed soil sampling grids, and selective rock chip sampling of outcrops has identified the five areas of anomalous gold and associated trace elements that comprise the Pequop Property exploration targets.

Exploration activities conducted by PNGC between 1994 and 2000 included regional and detailed geologic mapping, a limited IP/resistivity geophysical survey at the Acrobat target, an airborne multi-channel Electromagnetic-Magnetic-Spectrometer/Radiometric survey over a portion of the project area by Fugro Airborne Surveys, biostratigraphic and petrographic examinations, and both RC and core drilling. This work was fairly extensive, and included the collection of 602 BLEG samples, 2050 ridge and spur samples, 4397 grid soils samples, 639 rock chip samples, and 5150 drill hole samples (RC and core) from 53 drill holes in four separate targets. In addition to gold, most of the samples were also analyzed for 30 additional elements by ICP methods.

In Mr. Moran’s opinion, the work by PNGC at the Pequop Property was well planned, detailed in execution and documentation, and meets or exceeds industry standards for early to mid-stage exploration efforts.

PNGC terminated exploration activities in the US in November, 2000, due to a combination of corporate and strategic issues for the principal partners; however, the core property has been maintained to this date. The Pequop Property suffered from the checkerboard ownership in the early years of PNGC's exploration programs, even though there was early drilling success. And the project exploration activities were terminated late in 2000, in spite of land ownership consolidation in 2000, and additional encouraging drill results, at the bottom of the gold-price commodity cycle. Exploration at the Pequop Property was not terminated due to a lack of exploration targets or a lack of success.

Project Funding

From inception in 1994 to the end of PNGC exploration activities in late 2000, PNGC reports a total of \$3.8 million has been spent on the Pequop Property as further defined below:

Year	Comments
1994	Regional geochemistry
1995	Discovery outcrop; detailed mapping and sampling
1996	Initial Drilling
1997	Minimal additional ground work; awaiting land consolidation
1998	Minimal additional ground work; awaiting land consolidation
1999	Land consolidation, airborne geophysics; detailed mapping sampling; Long Canyon work
2000	Largely drilling

Although detailed annual cost reports were not examined, it is Mr. Moran's opinion that the stated \$3.8 million total expenditure is a reasonable estimate given the amount of exploration data generated, and the number of drill holes completed, all of which are verifiable on the ground.

Geological Setting

Regional Geology

The Pequop Mountains are an uplifted block of regionally east dipping lower Paleozoic carbonate sedimentary rocks. They were uplifted and tilted as a result of the Ruby-East Humboldt metamorphic core complex located to the west in the Ruby and East Humboldt mountain ranges. Lower Paleozoic rocks to west of the Ruby Mountains have undergone Paleozoic age thrusting, most notably by the Roberts Mountain Thrust of the Antler Orogeny. Many of the Carlin-Type gold deposits on north-central Nevada are associated with Ordovician age host rocks located immediately below the Roberts Mountain Thrust.

East of the Ruby Mountains, including the Pequop range, the lower Paleozoic rocks are east of the paleo-continental margin, and have experienced little of the Paleozoic orogenic events recognized to the west. The most important structural event affecting the Pequop range is the late Jurassic-Cretaceous Sevier Orogeny, and the thrust faulting associated with it. Prior to thrusting and subsequent Tertiary uplift, the lower Paleozoic stratigraphy underwent deep burial and consequential metamorphism from upper greenschist to lower amphibolite facies rocks.

A nearly complete section of Paleozoic miogeosynclinal sedimentary rocks are exposed in the Pequop range, with an aggregate thickness of approximately 10 km. Lowermost Cambrian rocks in the project area exhibit metamorphism in the form of recrystallization in limestone units, and a foliation with west north west to east south east stretching lineation. This fabric overprints aplite intrusive dikes which are dated at 153 Ma. Folding in

the rocks is limited, perhaps in part due to semi-plastic deformation at burial depths with bedding plane slippage and thinning of units.

The regional structure is dominated by the Independence Thrust (Camilleri, 1994), and is a south vergent thrust that offsets metamorphic isograds. While the Independence Thrust has been mapped by Camilleri over the length of the Pequop Property, its precise trace is somewhat problematic in relation to detailed mapping by PNGC. A total of six structural events have affected the rocks in the Pequop range beginning with syn-metamorphic shear, thinning, and lineation development in late Jurassic to early Cretaceous; followed by two late Cretaceous folding and thrusting events including the Independence Thrust; a late Cretaceous to Late Eocene extension resulting in west-dipping low angle normal faults; Oligocene to Miocene age extension related to the Ruby Mountains core complex and resulting in moderately dipping normal faults, and finally Miocene to Recent Basin and Range extension resulting in high-angle normal faults and the present north trending range topography. Gold mineralization may be related to stage 5 Oligocene to Miocene extension, and is offset by late Basin and Range Faulting.

There are no major mineral occurrences or known mineral deposits in the Pequop range; other than the gold mineralization discovered by PNGC.

Pequop Geology

The Pequop Property geology has been mapped in detail by PNGC staff and is comprised of an east-dipping normal stratigraphic sequence of lowermost Paleozoic units that has been cut by dominantly north trending normal faults with down to the east displacements. The rocks are a nearly complete section of Cambrian to Ordovician oceanic shelf environment sedimentary rocks; predominantly limestones and dolomites with lesser amounts of inter-bedded clastic units. Limestone units observed in the field are typically thin bedded to thinly laminated silty (dirty) carbonates that commonly are recessively weathered and rarely form bold outcrops. The lowermost unit is the Cambrian Prospect Mountain Quartzite, with an overlying thick sequence of Cambrian carbonates topped by the Notch Peak Formation. The Ordovician Pogonip Group and Eureka Quartzite overlie the Cambrian units, and occur near the range crest.

Gold Mineralization occurs in the siltier carbonate units, usually in close proximity to the major mapped faults.

Two types of intrusive rocks are mapped. Finely crystalline equigranular aplite dikes and sills are common as thin lenses or small pods intruding the units below the Pogonip. They are commonly bleached, oxidized, and foliated in similar fashion to the surrounding units. They are clearly pre-mineral in age.

A mapped unit of diorite is present southeast of the Mountaintop exploration target, as a sill-like body in the Pogonip Group. And reportedly similar medium crystalline equigranular dioritic intrusives are present in the Long Canyon area. Mr. Moran did not have the opportunity to examine this rock unit in the field. Its relationship/timing with respect to gold mineralization is not known.

Pequop Structural Geology

Structural geology of the mapped area (represented by Figure 7.2.1 of the Technical Report) shows several north-south trending normal faults in the main project area; the Feeder Fault, the QM Fault, and the Ridgetop Fault. All are moderately to steeply east dipping normal faults with downward displacement to the east. The Curvilinear Fault crosses the north south faults, with a general northwest-southeast trend, and intersects the Ridgetop Fault. Many of the stratigraphic units have general recessive weathering patterns and form soil covered hill slopes; therefore, much of the details of structure may not be mapped. Road cut exposures and cross-sections through drill holes in the Acrobat area demonstrate there are unmapped low angle faults or bedded breccias and a more complex nature to high angle faults such as the Feeder Fault.

There has been no detailed mapping of the range between the Acrobat-Juggler-Section 34-Mountaintop targets on the west side of the Pequop Property, and the Long Canyon target on the east side of the property and

mountain range. Detailed mapping at Long Canyon suggests a similar stratigraphy and north trending major faults, but with downward displacement to west on the west dipping northerly faults. Generally regional east dips to stratigraphy are also present. This suggests that the core of the range may be graben-like in character.

Geochemistry

Extensive geochemical work has been done by PNGC since 1994. BLEG sampling was the initial work that defined anomalous gold for the Pequop Property. BLEG sampling along the range front in 1994 produced gold values of 2.2 to 3.1 ppb Au, against a regional background threshold of 0.93 ppb Au, which was enough to warrant follow-up sampling in the area that is now the Acrobat-Juggler target area.

Detailed BLEG follow-up sampling was in turn followed with ridge and spur soils, and grid soils on a 200 by 200 ft grid for the main project area of Acrobat-Juggler-Section34-Mountaintop, and separately for the Long Canyon target. In addition to gold, multi-element ICP geochemical analyses show anomalous arsenic, antimony, tungsten, and mercury to be present in areas of anomalous gold. Rock chip sampling and road cut sampling were also done in advance of drilling.

Table 7.4.1 Geochemical Sample Summary

Sample Type	Number of Samples
BLEG	602
Ridge/Spur	2050
Grid soils	4397
Rock chip	639
Drill samples	5150 (3770 multi-element)

The table below shows the maximum soil geochemical values for each primary target area.

Table 7.4.2 Maximum Soil Geochemical Values

Anomaly	Au (ppb)	As (ppm)	Sb (ppm)	W (ppm)	Hg (ppb)
Acrobat	2614	380	1779	110	235
Juggler	114	69	47	36	200
Section 34	1115	277	72	161	255
Mountaintop	1945	505	29	6	1455
Long Canyon	5034	877	31	10	113000

In addition, there are six other lesser geochemical anomalies, which are not noted on Figure 7.2.1 of the Technical Report, that have received only partial mapping, and no drill testing; the largest and most coherent geochemical anomalies are the only anomalies drill tested to date.

Rock chip sampling of outcrops and road cuts in the soil-gold anomalies show elevated gold and associated trace element numbers. The results are given below, for each anomaly:

Acrobat

Maximum rock chip geochemical values are listed below:

Table 7.4.3 Acrobat Maximum Rock Chip Values

Au (ppb)	As (ppm)	W(ppm)	Sb(ppm)	Hg (ppb)
17,400	4,500	2,084	10,864	4,550

Silver values are generally low, less than 30 ppm, but shows a positive correlation with gold values (+0.9 correlation coefficient). Arsenic and mercury have a +0.8 correlation coefficient with gold. The Juggler anomaly is adjacent to and essentially part of the Acrobat anomaly.

Section 34

Gold has a strong correlation with arsenic, and a moderate correlation with antimony, although antimony values are an order of magnitude lower than at Acrobat. There is also anomalous tungsten (to 607 ppm), although it is not directly correlative with gold.

Mountaintop

The Mountaintop soil anomaly does not outcrop. Six samples from two shallow pits show maximum values for gold, arsenic, and mercury, respectively at 8,400 ppb Au, 1,108 ppm AS, and 1,500 ppb Hg. There are also traces of antimony.

Long Canyon

Maximum rock chip geochemical values are listed below:

Table 7.4.4 Long Canyon Maximum Rock Chip Values

Au (ppb)	As (ppm)	W(ppm)	Sb(ppm)	Hg (ppb)
15,100	1,288	175	700	>99,999

Mr. Moran concurs with the opinions of PNGC in characterizing the geochemical signatures on the Pequop Property as being similar to typical Carlin-Type gold mineralization. The magnitudes of the anomalies in both soils and rocks are quite strong in comparison to many other areas of Carlin-Type gold mineralization elsewhere in Nevada.

Anomalous amounts of Cr, Ni, Co, and V are also noted for the Pequop Property; however, both in absolute magnitude and in positive correlation, the suite Au-As-Sb-Hg-W is the most common geochemical association on the Pequop Property. This is a typical Carlin-Type gold geochemical suite.

Also noted in the multi-element geochemistry is a negative correlation of gold with calcium content; denoting calcium depletion or carbonate dissolution or leaching, sometimes with silica addition (as jasperoid development).

Geophysics

Two geophysical surveys were conducted on the property by PNGC (as shown on Figure 4.7). A small IP/resistivity survey was conducted at the Acrobat target in 1996 by Quantec Geosciences of Reno, Nevada; covering 8800 linear feet of gradient/real-section IP survey data in 6 parallel lines centered over the target. The data defined both resistivity and chargeability anomalies that are not directly correlative with surface geology and drill hole data; thus, the results are inconclusive.

An airborne survey was flown over the western Pequop target areas in early January, 2000. Fugro Airborne Surveys of Mississauga, Ontario, Canada was the contractor, flying a DIGHEM^v multi-coil multi-frequency electro-magnetic, magnetic, and spectral radiometric surveys. The helicopter survey allowed for east-west lines to be flown at 100m separations, for a total of 876 line-km (544 line-miles) including 81 km of tie lines. The interpreted data shows several resistivity anomalies that relate to either stratigraphy or structure; and will be used in further evaluation of target areas. A detailed review of the DIGHEM^v results, and the interpretation done by consultant geophysicist Frank Fritz for PNGC was not undertaken by Mr. Moran; the data will provide ongoing support to geological interpretations from future drilling.

Deposit Types

There are no defined gold deposits at the Pequop Property; therefore, the section of the Technical Report entitled “Deposit Types” describes the deposit type (Carlin-Type gold deposits) which is the primary exploration target at the Pequop Property, as it relates to the mineralization encountered to date in exploration drill holes. The Pequop Property gold mineralization is described in “Mineralization”.

Carlin-Type gold deposits are a class of gold deposits that are perhaps not unique in the world, but exist in far greater numbers and total resource size in Northern Nevada than anywhere else in the world. They are characterized by concentrations of gold very finely disseminated in silty carbonaceous calcareous rock, such as carbonaceous calcareous siltstone, calcareous mudstone, and silty limestone. The gold is present as micron size to sub-micron size disseminations, often internal to iron sulfide minerals (pyrite is most common) or with carbonaceous material in the host rock. Free particulate gold, and particularly visible free gold, is not a common characteristic of these deposits; therefore, significant placer alluvial concentrations of gold are not commonly produced when Carlin-Type gold deposits are eroded. This is the case for the Carlin trend, and the reason why gold exploration (principally by gold panning) in the 1800’s and early 1900’s did not discover the Carlin gold district. The Carlin name comes from the Carlin mine, the first of this type gold deposit put into operation along the Carlin trend, in 1965. Since 1965, the Carlin trend has produced over 50 million ounces of gold from an area 35 miles long by five miles wide. Total production and reserves is close to 100 million ounces.

Carlin-Type gold deposits along the Carlin trend have gold concentrations as low as 0.02 oz/Ton Au, to a high of +1.0 oz/Ton. All the Carlin-Type deposits in Nevada have some general characteristics in common, although there is a wide spectrum of variants. Typically associated with the gold mineralization are anomalous concentrations of arsenic, antimony, and mercury. Other trace elements which can be pathfinder elements associated with Carlin-Type gold deposits are thallium, tungsten, and molybdenum. The magnitudes of trace element concentrations and their spatial relationship to gold are not necessarily direct, or 1:1. Alteration of the gold bearing host rock is typically exhibited by decalcification of the host, often with the addition of silica (jasperoidal silica is common), addition of fine-grained disseminated sulfide minerals, re-mobilization and or the addition of carbon to the rock, and with late barite and/or calcite veining. Small amounts of white clays (illite) can also be present. Decalcification of the host produces volume loss, with incipient collapse brecciation, which increases the fluid channel ways allowing for mineralization. Visible signs of alteration and mineralization can be subtle to the inexperienced observer. In any given hand sample an ore-grade sample can look much like barren waste rock. Assaying the rock is the key to defining mineralization, as with all gold deposits, but due to the lack of free particulate gold, Carlin-Type gold deposits generally do not have the “nugget effect” assay problem common in many other types of gold deposits.

Deposit configurations and shapes are quite variable, and are controlled by the overall host rock lithology, major plumbing structures and fractures, and by the porosity and permeability of the host rock as they may have been affected by decalcification or brecciation. Typically Carlin-Type gold deposits are somewhat stratiform, mineralizing characteristics being best exhibited in specific stratigraphic units or sub-units. Breccias can also be primary hosts to mineralization. Edges of deposits can be bounding faults, edges of brecciation, or imperceptible porosity/permeability changes on a microscopic level. Orebody shapes can therefore be pod-like, tabular, flat lying or high-angle, or highly irregular and amoeboid in plan or section. Grades can vary greatly over short distances. Deposit size and grade vary greatly. Carlin-Type deposits in Nevada are mined from open pits as well as underground. Carlin-Type ores can be either oxide ores that are amenable to a direct cyanidation gold recovery process, or “refractory ores” which are either sulfide or carbon rich ores that require a pre-oxidation process (roasting or pressure-leach autoclaving) prior to cyanidation and gold recovery.

It is Mr. Moran’s opinion that the mineralization thus far identified on surface and in drill holes at the Pequop Property has many of the characteristics of Carlin-Type gold mineralization.

Mineralization

Mineralization at the Pequop Property was first defined in surface rock and soil samples, with assays greater than 2.0 g/t Au in soils and greater than 10.0 g/t in rock samples, at the Acrobat target area. The exposures that are anomalous in gold are weakly oxidized (hematitic) and locally decalcified silty limestone. Multi-element geochemistry indicates an association of the gold mineralization with arsenic, antimony, mercury, and tungsten; as described in “Geochemistry”. Carlin-Type gold targets were the basis for the regional exploration efforts that led to the discovery of gold in jasperoidal silica at the Acrobat target; and the geological and geochemical data gathered to date confirms the mineralization defined at the Pequop Property as Carlin-Type gold mineralization. The Carlin-Type characteristics present at the Pequop Property are listed below:

- Associated As, Sb, Hg which is typical of most all Carlin-Type deposits
- Associated low levels of anomalous W, which is present in some Carlin-type systems
- Low to very low levels of Ag
- Low levels of base metals
- Hosted in thin bedded silty carbonate sediments
- Evidence of decalcification of carbonate units (sanding)
- Presence of jasperoidal silica replacement of the carbonate units. Jasperoids associated with gold bearing systems often exhibit a sugary granular texture in hand sample that is an interlocking mosaic (jigsaw) texture in thin-section microscopic analysis; as do the samples from Pequop
- Alteration and mineralization both in high-angle feeder faults and in selected strata
- Lack of alluvial gold down-drainage from gold bearing outcrops – lack of coarse grained gold
- Stratiform and structurally controlled solution collapse breccias
- Weak oxidation and calcite veining.

The Pequop Property has a few different characteristics from typical Carlin-Type gold deposits:

- Petrographically, minute gold grains are noted as apparently internal to calcite at Long Canyon. Further work is needed to shed light on this occurrence.
- The common association of hematite with gold mineralization at Pequop is not a common characteristic among most Carlin-Type deposits.
- The general location of the property is outside known gold deposit trends in Nevada.
- Host rocks here are Cambrian-Ordovician carbonates, whereas the majority of Nevada Carlin-Type deposits are in Ordovician-Devonian rocks.

None of these last four points are critically important in defining the type of mineralization present at the Pequop Property. The Carlin-Type gold deposit mined at Alligator Ridge, located approximately 90 miles to the SW of the Pequop Property, was discovered in 1977; as a deposit that was then outside any known gold deposit trend, and in lithologic units different from those along the Carlin Trend.

In Mr. Moran’s opinion, the mineralization encountered at the Pequop Property, including Long Canyon, is most analogous to a Carlin-Type gold setting. Mr. Moran’s personal observations of gold mineralization elsewhere suggest that the Pequop mineralization may be the distal manifestations of a Carlin-Type gold system.

Acrobat-Juggler-Section 34 Targets

The Acrobat target is the area of the original discovery of gold mineralization. Based on gold in soils, an anomaly is present at the Acrobat target that is at least 1000 feet in east-west length and 300 feet in width. Soil

gold values exceed 2.0 g/t and rock chip and road cut samples within the anomaly are strongly mineralized with sample values up to 14.0 g/t Au. Road cut sampling in the anomaly returned 160 continuous feet averaging 4.1 g/t Au; in the vicinity of drill holes WN-6, 7, and 33. This is a high magnitude gold anomaly that has been the focus of drilling. The soil gold anomaly is relatively confined and would appear to be in part resulting from down-slope movement of material from the Feeder Fault. However, similar scattered gold in soil anomalies throughout Section 34 and at the Mountaintop target indicate a gold mineralizing system that covers a minimum of two miles in strike length and nearly the same distance east-west.

Drilling in the Acrobat area has defined significant gold mineralization in several drill holes (see "Exploration" for a discussion of gold in drilling). Mineralization is all related to hematitic oxide zones in both stratiform zones parallel to bedding and/or bedding parallel solution collapse breccia, as well as in moderate to high angle structural zones with similar hematitic staining. Silicification in the form of jasperoidal silica replacement is present at surface and locally in drilling, but generally silicification is limited in extent.

The Juggler target is located less than 1000 feet to the south of the Acrobat target, and is of similar geology. Geologic units at the Acrobat-Juggler targets are thinly bedded silty limestones that dip east, into the mapped Feeder Fault. Outcrops and road cuts demonstrate that alteration and mineralization (correlative with hematite staining) is selective to bedding planes, suggesting that the mineralization at surface is leakage up structure and along favorable bedding horizons.

At Section 34, the similar geologic setting exists, although the gold mineralization is hosted in different sub-units of the Cambrian carbonate sequence, and here the soil anomalies are at least 0.5 miles distant from the mapped Feeder Fault. In addition, there is a northeast alignment to the gold-in-soil anomalies in Section 34 that does not have any known structural control. Here as well, selective decalcification along bedding planes and bedding parallel solution collapse breccias has provided fluid pathways; evident by hematitic coloration and gold/trace element mineralization and locally bedding parallel jasperoidal silica replacement.

Due to limited access and time constraints, Mr. Moran did not visit the Mountaintop target. Here a strong gold soil anomaly is present on a steep slope immediately downhill from the mapped Mountaintop Fault; but there are no outcrops to confirm mineralization. The Mountaintop target has not been drill tested.

Alteration and mineralization have been examined petrographically by Dr. L.T. Larson of Carson City, Nevada, including thin-section analysis as well as X-ray diffraction ("XRD") and Scanning Electron Microscopy ("SEM"). At Acrobat, the rocks are marbles, silty limestones, and jasperoid. There is a strong correlation of gold with jasperoids which commonly display interlocking "jigsaw" textures and multiple stages of silicification. Silty carbonates exhibit weak foliations and micaceous minerals consistent with weak metamorphism of a dirty carbonate protolith. Fault breccias and gouge contain quartz, calcite, muscovite, and rare kaolinite in addition to the obvious hematite staining. Pyrite (and iron-oxide pseudomorphs) is rarely present in mineralized samples. Although rare, pyrite has been identified encapsulated in jasperoid, in limestone, and rarely encapsulated in calcite.

Long Canyon

The Long Canyon area was initially defined in late 1999 with ridge and spur sampling as a follow-up to previous BLEG sampling. Mapping and grid soil sampling in early 2000 defined a large gold-arsenic-mercury anomaly on the east slopes of the Pequop range. The Long Canyon gold-in-soil anomaly is quite large, composed of three segments aligned northeast, and the entire anomaly measures 4000 feet in length (NE-SW) with a maximum width of 1000 feet wide (NW-SE). Mineralization is exemplified by hematitic stains and coloration in the soils and on fractures and bedding planes in limestone (thin bedded to more massive units). Locally, structurally controlled solution breccias are visible in outcrop, also containing hematite coloration and calcite (coarse rhombohedral calcite void fillings, as well as calcite veining). While generally silicification is absent over large areas, there are a few outcrops of gold bearing jasperoids, along faults bounding alteration/mineralization.

Jasperoid at Long Canyon contains rare pyrite and gold; the pyrite occurring within quartz grains, and the gold occurring within jasperoidal quartz and at quartz grain boundaries. Mineralized carbonate consists of limestone, dolomite, and breccias of both; and with minor quartz, pyrite, iron oxides, and gold. Quartz is not abundant, and is present as interstitial grains, disseminations, and rarely as cross-cutting veinlets. Pyrite is rare and occurs within carbonate grains and in late stage calcite veinlets. Gold occurs within calcite and at calcite/dolomite grain boundaries, and often in late stage calcite veinlets. This is an unusual occurrence for gold in a typical Carlin-Type gold deposit, and deserves further investigation.

Exploration

Exploration results for the Pequop Property have been successful in encountering potentially ore-grade gold mineralization in multiple drill holes in four separate targets, within a combined area extent of approximately 5 square miles of anomalous surface alteration and mineralization. Table 10.0.1 below provides a summary of the best drill intercepts. The following table is a discussion of the exploration results for each target area.

Table 10.0.1 Pequop Property Exploration Results

Prospect	No. Holes	No. Mineralized Holes (>20 ft @ 0.03 oz/Ton)	Best Intercept	Comments
Acrobat	33	21	20 ft @ 0.47 oz/T	Mineralization open to N, S, E, and at depth.
Juggler	3	2	35 ft @ 0.08 oz/T	1000 ft S of Acrobat; in same stratigraphy, open to N, S, & E
Section 34	10	1	50 ft @ 0.02 oz/T	Widespread anomalous Au, structural control unknown
Long Canyon	7	1	70 ft @ 0.08 oz/T	Tested one end of a large geochemical anomaly

A complete list of the drill hole intercepts for all holes with greater than 0.03 oz/Ton Au is shown in Table 10.0.2 appended to the end of the Technical Report.

Acrobat

Acrobat is the area of the initial gold discovery at the Pequop Property. BLEG sampling led to soil grid and rock chip gold anomalies up to 2.0 g/t and 14.0 g/t ; respectively. Road cut sampling yielded a continuous chip sample grading 4.1 g/t Au over 160 feet. Drilling consists of 21 RC holes and 12 core holes. A cross-section through several drill holes shows the gold mineralization to be both stratiform in nature and with high-angle structural control from the area of the Feeder Fault. A summary of the better drill hole intercepts for the Acrobat target are listed in the following table:

Table 10.1 Acrobat – Significant Drill Intercepts

Hole No.	Type	Mineralization (drill depths)	Comments
WN-001	RC	30 ft @ 0.127 oz/T (20-50 ft)	Low-angle stratiform
WN-002	RC	25 ft @ 0.107 oz/T (25-50 ft)	Low-angle stratiform
WN-006	RC	25 ft @ 0.068 oz/T (40-65 ft)	Low-angle stratiform
		30 ft @ 0.134 oz/T (75-105 ft)	
WN-007	RC	45 ft @ 0.136 oz/T (50-95 ft)	Low-angle stratiform
WND-020	Core	20 ft @ 0.471 oz/T (324-344 ft)	Low-angle stratiform
WND-023	Core	21 ft @ 0.189 oz/T (70-91 ft)	Low-angle stratiform
		1 ft @ 0.318 oz/T (183-184 ft)	Assoc. w/ aplite dike

WND-025	Core	10 ft @ 0.231 oz/T (680-690 ft) 22 ft @ 0.344 oz/T (705-727 ft)	High-angle structure
WND-026	Core	6 ft @ 0.211 oz/T (464-470 ft) 16 ft @ 0.207 oz/T (514-530 ft)	High-angle structure
WND-029	Core	1 ft @ 0.596 oz/T (159-159 ft)	Low-angle stratiform
WN-032	RC	35 ft @ 0.127 oz/T (10-45 ft)	Low-angle stratiform
WN-034	RC	25 ft @ 0.111 oz/T (365-390 ft)	Low-angle stratiform
WN-037	RC	35 ft @ 0.099 oz/T (20-55 ft)	Low-angle stratiform

It should be noted that assays from core drilling exhibit the highest grades. Whether or not this is related to better sampling of mineralization from core, or a function of where the holes were located, is not known. RC drilling has a tendency to smooth out grades (for multiple reasons), and may result in lower grade intercepts over a slightly larger interval; and should be carefully investigated in future drilling. Both drilling methods encountered significant gold mineralization. It is recommended that future drilling be by RC methods to define mineralization, with core as follow-up to verify grades.

Examination of drill hole assay intervals for the above drilling shows that high-grade gold intercepts are not carried by single individual assays, but are the aggregate of multiple +1.0 g/t assays, and commonly the aggregate of +5.0 g/t assays. Drill hole assay compositing (averaging) for the intercepts stated, was done in an appropriate manner.

While it appears that there are a sufficient number of drill holes at Acrobat to constrain the mineralization; the gold mineralization is open in several directions, and the primary target may in fact be in the hanging wall of the Feeder Fault, where there are few drill holes.

Juggler

The Juggler target is located 1000 feet to the south of Acrobat, and the mineralization here may be related to that at Acrobat. Stratiform gold mineralization occurs in two of only three holes to test this area; and the mineralization is in the same lithologic units as at Acrobat, but in the hanging wall of the Feeder Fault. Significant drill intercepts are listed in the following table:

Table 10.2 Juggler – Significant Drill Intercepts

Hole No.	Type	Mineralization (drill depths)	Comments
WN-34	RC	105 ft @ 0.053 oz/T (290-400 ft)	Stratiform
WN-48	RC	55 ft @ 0.053 oz/T (365-420 ft) (including 5 ft @ 0.315 oz/T)	Stratiform

The entire region east of the Feeder Fault between Acrobat and Juggler is a primary exploration target. This exploration target may also extend south to the Mountaintop target, an area that has not yet been drilled due to lack of access. Additional drilling is required to understand the controls on gold mineralization.

Section 34

Section 34 mineralization remains a bit enigmatic. Section 34 contains a larger total area of anomalous gold in soils than at the Acrobat target; and there is a northeast alignment of the soils anomaly. Rock chip sampling of jasperoid silicification has yielded a peak value of 24 g/t, with several samples in the 1.0-4.0 g/t range. The host rocks are different silty carbonates than at Acrobat/Juggler. The area of anomalous gold lies in excess of 1500 feet west of the mapped Feeder Fault, and there is no obvious surface structural control to the mineralization here. Of the 10 holes drilled in 2000, five have weak gold mineralization of >10 ft @ 0.005 oz/T. The best drill hole is WN-038, which intersected 50 ft @ 0.019 oz/T (0-50 ft), including 10 ft @ 0.056 oz/T; and

20 ft @ 0.026 oz/T (130-150 ft). Mineralization appears to be related to narrow fracture zones and in association with aplite dikes, perhaps occupying the same structures as the pre-gold age dikes.

Mountaintop

Mountaintop is a geochemical anomaly that has not been drill tested, due to current lack of drill road access. The Mountaintop soil gold anomaly has values to 2.0 g/t, and select rock samples of transported jasperoidal silica contain up to 8.0 g/t Au. There is both a NE and a NW orientation to the soil gold anomaly, part of which may be down-slope creep. However, the NW trend is parallel to and nearly coincident with the mapped Ridgetop Fault. The Mountaintop anomaly lies approximately 1.5 miles southeast of the Acrobat target, and the entire intervening area is prospective exploration ground; along the system of N-S faults and in favorable stratigraphy at depth. The area is recommended for an initial pass drilling.

Long Canyon

Initial BLEG sampling identified the Long Canyon area for follow-up; that exploration was initiated in late 1999, and culminated in early 2000 with the definition of a large northeast trending soil gold anomaly, with the highest gold values of +5.0 g/t Au. Rock chip samples up to 7.0 g/t Au are also present, most being in relatively uncommon occurrences of jasperoidal silica and silicified fault breccia. A relatively large weakly hematitic color anomaly exists nearly coincident with the soil anomaly. Geochemically, mercury and arsenic are also present; however, levels of mercury are generally higher than the Acrobat-Juggler-Section34-Mountaintop area. An initial drill program in 2000, of seven RC holes for 3765 feet, was conducted for the far northeast part of the large soil anomaly.

Of the seven holes drilled, 5 holes encountered weak gold mineralization, and a minimum of 15 ft @ 0.006 g/t, one hole was barren, and one hole (LC-03) encountered 70 ft @ 0.081 oz/T Au, including 10 ft @ 0.166 oz/T. The surface indications are that gold mineralization is structurally controlled, as evidenced by a road cut in fault breccia that assayed 52 ft @ 10.66 g/t; although some drill holes (LC-05 and LC-06) may have missed the structural targets.

Clearly, additional drilling is necessary in the area of these seven initial drill holes, to better determine the structural controls and orientations to mineralization. Only the far northeast end of the large gold-in-soil anomaly has been drill tested. The rest of the gold anomaly remains untested as there is no road access.

It is Mr. Moran's opinion that the exploration work conducted by PNGC for the entire Pequop Property was carried out in logical and methodical manner, using industry standard practices. That work has identified several gold targets with strongly anomalous to high-grade gold intersections in both RC and core drilling, which are worthy of a concerted effort of follow-up drilling.

Drilling Methods

Drilling methods employed at the Pequop Property have been a combination of reverse circulation (RC) and core; both of which are typical of standard gold exploration practices in Nevada.

RC drilling has been conducted at the Acrobat, Juggler, Section 34, and Long Canyon targets. Drilling procedures have been to collect cutting samples from each hole on 5 ft intervals, utilizing a rotary sample splitter attached to the output from the cyclone sample collector on the drill rig. Most of the drilling was done with water injection to reduce dust at the drill site, and prevent loss of material as fines in the dust coming out of the cyclone stack. The rotary splitter, whether wet or dry, uniformly split the sample volume per five-foot interval to a manageable size, approximately 10-20 lbs in average weight. Samples were bagged and sent directly to the analytical labs for preparation and analysis. The RC drilling contractor used by PNGC was Eklund Drilling Co. Inc., Elko, Nevada.

Core drilling was done for some of the holes at the Acrobat target. The core drilling contractors were Connors Drilling Inc. Montrose, Colorado, and Tonto Drilling Services Inc., Salt Lake City, Utah. Drill core is

HQ size, 2.5 inch diameter. Core was boxed, moved offsite, and cut in half with a diamond saw. Sample intervals were commonly at five-foot intervals, but occasionally geology dictated differently; so sample intervals can vary from 1.5 to 7.0 feet. Half-core sample intervals were bagged and delivered to the analytical lab, with the remaining half-core sample retained in storage. Prior to cutting, boxes of whole core were photographed, although rock quality derivation structural information was not gathered, based upon the several core logs examined.

Both core and RC geological logs adequately define lithology, alteration, mineralization, and structure (core logs).

All drill holes were surveyed down-hole for deviation of azimuth and inclination. Surveying contractors were Scientific Drilling International, Elko, Nevada, and Silver State Surveys Inc, Elko, Nevada. Some holes show more than 10 degrees of deflection in azimuth and/or inclination. As the project moves forward, having the down-hole survey on these early drill holes might prove important.

It is Mr. Moran's opinion, based, in part, on his personal knowledge of the various contractors, that the drilling methods employed by PNGC at the Pequop Property are adequate to define the mineralization, and appropriate industry standard practices.

Sampling Method and Approach

Drilling at this point in the project activities has been intended as an initial subsurface test of gold mineralization in surface soils, rock chips, and road cuts. It has been exploration drilling, attempting to determine the controls on mineralization.

The sampling methods employed during drilling are described under "Drilling Methods". The approach in drill sampling was to sample at reasonable intervals to adequately define the mineralization at the Pequop Property. A 5-foot drill sample interval is industry standard practice for RC drilling in Nevada. Variable core sample intervals are also an industry standard practice in Nevada, with 5-foot intervals being most common. The mineralized intervals encountered in drilling at the Pequop Property are commonly composed of several 5-foot sample intervals; suggesting that the 5-foot sample interval is indeed sufficient to determine average grades over the widths of mineralization encountered.

Surface sampling methods were several. Rock chip sampling was conducted as random chip sampling of selective rock outcroppings, and as continuous chip samples along the outcrop or sub-outcrops in road cuts. Various sample intervals were used.

Soil samples were collected initially on 200 by 200 foot grids over target areas, with in-fill to 100 by 100 foot spacing where required to further define geochemical anomalies. In Nevada, there is typically very little to no A-horizon soil development, so soil samples are B-horizon mixed rock and soil, and represent a fairly uniform sample medium for hill slopes, as is the case for the Pequop Property.

BLEG and stream sediment sampling were initially done to define the areas for follow-up soils and rock chip sampling. Both are typically taken in dry wash drainages or base of slope settings, and the -80 mesh fraction is collected for analysis.

It is Mr. Moran's opinion that the sampling methods and approach used by PNGC at the Pequop Property are appropriate for the mineralization of interest, the topography, and the geologic setting in northern Nevada.

Sample Preparation, Analyses and Security

Specific documentation as to sample preparation is lacking; however, personal communication with the former PNGC drill project coordinator (S. Green) provided the following information:

- RC drill samples were collected at the drill site by PNGC staff, as splits from a rotary wet splitter.

- RC samples, approximately 15-20 pounds, were bagged and transported to a staging area on the project, where samples were picked up by American Assay Laboratories Inc. (“AAL”) and transported to the AAL sample preparation lab in Elko, Nevada.
- B-splits of RC samples were not collected, but coarse rejects (a split at the assay lab prior to pulverization) were retained for many RC holes. Pallets of coarse rejects from some holes are in the possession of AuEx, Inc.

Core samples were collected at the drill site by PNGC staff, transported to a core cutting facility in either Wells or Reno, Nevada, logged, marked for sampling, photographed, and diamond-saw cut as half core to those marked sample intervals. Half core has been retained in original core boxes; and those core boxes are now in the possession of AuEx, Inc. Cut and bagged samples of core were shipped to AAL’s sample preparation facility in Elko, Nevada.

Analyses for early geochemical samples during the period 1994 to 1996 utilized Acme Analytical Lab, 852 E. Hastings St., Vancouver, B.C., Canada; and Rocky Mountain Geochemical Corp. 1323W 2900S, West Jordan, Utah. Both are reputable analytical labs, known to the mineral exploration industry. Geochemical analyses were typically for gold by fire-AA analytical techniques, and 30-element ICP analyses for major and trace elements.

In 1996, going forward, all samples were analyzed at AAL, 1500 Glendale Avenue, Sparks, Nevada. AAL’s standard sample preparation procedure is to crush the entire sample (1/2 core or RC chips) to 8-10 mesh size, and split the material to 1/16th volume in a riffle splitter. The 1/16th split is pulverized to a nominal 150 mesh size fraction. AAL’s standard gold assay procedure is a 30 gram charge fire assay with an AAS finish. This is a standard fire assay preparation, with AAS (atomic absorption spectro-photometry) analysis of the resultant fire-prepared bead. As well, AAL performed 30-element ICP analyses for major and trace elements. AAL has a Certificate of Compliance to the ISO/IEC 17025 Standard of Quality, issued through Global QA Inc. AAL is a reputable analytical lab that has been servicing the mining and exploration industry of Nevada for the past 18 years.

All samples were analyzed for gold and the majority of drill holes have either 30-element ICP analyses for individual samples, or ICP analyses at 20 ft intervals.

Sample security was maintained from sample collection in the field by PNGC staff, to delivery of samples to the various analytical labs. AAL picked up RC drill samples in the field, at a staging area near the project drilling.

It is Mr. Moran’s opinion that the sample preparation procedures, analytical procedures, and analytical labs used are all appropriate for the mineralization at the Pequop Property, and they are typical industry standard procedures.

It is strongly recommended that with continued exploration at the Pequop Property, AAL continue to be used as the primary analytical lab, for consistency of lab procedures. If another lab is used as the primary lab going forward, it is recommended that a minimum of 10% of the previous core drilling and RC sample pulps be re-run through the selected primary lab, to establish a meaningful correlation between AAL assays and those of the new primary lab.

Data Verification

Assay data verification has been accomplished by several methods:

- Limited number of standards and blanks submitted by PNGC
- Assay re-runs at the labs
- Limited secondary lab check assays

- Spot sampling checks by AuEx, Inc.
- Spot sampling checks by the author of the Technical Report.

PNGC submitted into their sample submission stream, standards and blanks, beginning with the earliest BLEG sampling programs. As the program progressed, submission of standards and blanks continued. This effort did not identify any major problems with the commercial lab analyses; however the total number of standards, and blanks was minimal. During the 1996 drilling program, 31 standards were submitted to Rocky Mountain Geochemical. For two of the standards most samples were within 5% of the known values. For one standard at a known 4.2 g/t, all seven analyses were 2% to 16% higher than the known value. In addition, 10 standards were submitted with samples sent to AAL; and nine of ten sample standards were analyzed at within 6% of the known value. That same year, 67 duplicates were submitted to Rocky Mountain Geochemical, with most original assays being less than 1.0 g/t; and all duplicate assays were within 5% of the original assay.

During the 1999-2000 exploration programs, 38 standards were submitted to AAL with rock samples; all with very close correlation. And in 2000, 16 standards were submitted to AAL along with the drill samples; all with close correlation. As well, 38 drill sample duplicate assays show generally close correlation with the exception of three samples.

AAL routinely and randomly re-runs analyses within sample batches, as internal duplicate assays; and it was noted that for the assays certificates examined, the sample analyses compare reasonably well (visual spot check).

PNGC performed secondary lab check assays of sample pulps for a limited number of higher grade samples; 12 samples during the 2000 drilling program, the year of the most drilling. These 12 drill hole samples were sent to Chemex, Reno, Nevada. Original assay values range from 2500 ppb Au to 8700 ppb Au, and all but one of the Chemex values are consistently lower than the original AAL assay, and with a large variance. No further work was done to determine the difference between the labs; which is most likely related to the lab's sample digestion procedures.

AuEx, Inc. has collected 51 surface samples to verify gold mineralization, confirming gold up to 19.95 ppm (g/t) Au.

Mr. Moran collected 14 surface rock samples to verify gold mineralization in outcrops and road cuts; the first 8 samples are from the Acrobat and Section 34 targets, and the remaining 6 samples are from the Long Canyon area. These samples are not exact replicates of previous PNGC samples, so direct assay comparison is not presented. The samples verify the presence of gold and the associated trace elements reported by PNGC, as shown in the following table:

Table 14.1 Surface Samples – Author of the Technical Report Collected, August 25-26, 2004

Sample	UTM N	UTM E (11)	Au ppm	As ppm	Sb ppm	Hg ppm	Tl ppm	W ppm	Comments
AMP-01	4538697	0702094	5.67	659	81	0.11	0.09	127	Rd cut, @ WN-33; Acrobat
AMP-02	4538671	0702061	1.47	1060	5	0.03	0.09	4	Rd cut @ WN-37, Acrobat
AMP-03	4538653	0702034	4.79	331	281	0.32	<0.02	1130	Jasperoid outcrop, Acrobat
AMP-04	4538674	0701997	2.52	192	344	0.09	<0.02	1440	Jasperoid rd-cut, Acrobat
AMP-05	4537288	0701748	1.54	1370	106	0.26	0.26	19	Sec-34, rd-cut

Sample	UTM N	UTM E (11)	Au ppm	As ppm	Sb ppm	Hg ppm	Tl ppm	W ppm	Comments
AMP-06	4537253	0701722	0.23	67	49	0.01	0.08	740	Sec-34, aplite intrusive
AMP-07	4537227	0701695	1.39	122	46	0.07	0.04	21	Sec-34, Bedded jasperoid
AMP-08	4538932	0702039	0.01	13	2	0.05	0.02	8	Acrobat, Flt-bx in ls.; no ox.
AMP-09	4538708	0707954	12.34	436	30	11.00	7.24	4	L.C., Rd-cut, hem limestone
AMP-10	4538698	0707951	6.00	244	5	5.51	9.40	3	L.C., Rd-cut, hem limestone
AMP-11	4538699	0707946	26.33	321	43	13.60	4.51	5	L.C., Rd-cut, hem limestone
AMP-12	4538574	0707838	0.87	89	6	3.21	1.06	2	L.C., Rd-cut, hem limestone
AMP-13	4538507	0707787	3.02	81	10	1.42	2.19	7	L.C., Rd-cut, hem limestone
AMP-14	4538474	0707709	6.03	67	304	8.98	1.48	9	L.C., Jasperoid, silic flt-bx

The above samples collected by Mr. Moran show a change in trace element signature, suggesting district scale zonation from west to east. West side targets appear to have strongly anomalous Au+As+Sb+W, with anomalous Hg, but low levels of Tl (thallium). The Long Canyon target shows strongly anomalous Au+Hg+Sb+Tl, with lower levels of As, and background levels of W. Tl was not previously analyzed for in the 30-element ICP work done by PNGC; therefore, consideration should be given to re-running pulps for Tl so see if the apparent anomalism can be verified, and to what extent it can be used as a targeting element for gold. Four-acid digestion and specific elemental analyses are suggested for the above trace elements, rather than ICP analyses.

Verification of drill hole collar locations was done through spot checks in the field with hand-held GPS units; although not all holes were checked. Recent drill hole collars are marked in the field with a rebar and marked aluminum cap set in concrete as part of the hole plugging procedures. During the field visit, Mr. Moran noted drill hole collars were located on the ground where they appear to be on the maps.

There is no specific documentation regarding the procedures used to verify the accuracy of the assay database, such as assay double entry. Spot checking of the assay database against the original assay certificates for several drill holes in three separate targets, showed no database errors.

It is Mr. Moran's opinion that the assay data for surface samples and drill holes at the Pequop Property is accurately represented. A more rigorous QA/QC (quality assurance/quality control) program using standards, blanks, replicate samples, duplicate assays, and secondary lab check assays is recommended going forward; in sufficient numbers to provide a meaningful statistical analysis. Minimum suggestions are here provided; although, it is best to get the specific recommendation of a geochemist familiar with QA/QC procedures:

- Insertion of standards, and blanks should be on a regular and continual basis, and consist of 2-3% of the total sample population. Samples should be submitted with each batch of drill samples, and there should be procedures in place to re-run the entire batch if the standards and blanks are not within prescribed tolerances.

- Replicate samples (ie. B-split of RC samples), or coarse reject material should be submitted periodically as blinded samples; 2-3% of the total samples are a minimum recommendation. Replicates should also be submitted to a secondary lab as a check of sample preparation procedures.
- Replicate B-splits of RC samples are highly recommended when drilling mineralized intervals; as this provides a second assay check to provide control in situations of coarse or nugget-effect gold or lab contamination.
- Secondary lab assay checks should also be done for sample pulps on a regular basis, and should be at least 3-5% of the total. If sufficient variance is present, or a particular lab is biased high or low, a greater number of checks or tertiary lab analyses may be required.
- Where applicable, high-grade core intervals can be quartered to provide a replicate assay, while maintaining some of the original core interval for visual inspection.

All procedures utilized should be documented, and the results tabulated and graphed.

Adjacent Properties

There are no gold occurrences or mining properties immediately adjacent to, or in close proximity to the Pequop Property with which to compare/contrast. The nearest Carlin-Type gold deposits are the Rain Mine (south Carlin Trend) which lies approximately 80 miles direct-line distance to the west-southwest; and the Kinsley Mountain deposit which lies about 50 miles to the south-southeast. Mr. Moran has personally visited many Carlin-Type gold deposits in northern Nevada, and is familiar with the industry standard practices used to explore for those deposits. The discussion of Carlin-Type deposits in this report is for the sole purpose of defining the type of mineralization present at the Pequop Property. It is not implied, nor should it be inferred, that a Carlin-Type gold deposit will be discovered or is presently known to exist at the Pequop Property.

Mineral Processing and Metallurgical Testing

There has been no preliminary metallurgical testing done for the gold mineralization at Pequop. While the Pequop Property is still an exploration property for which a gold deposit has not yet been defined, it is not too early to consider some preliminary metallurgical testing on higher grade gold mineralized intercepts. The section of the Technical Report entitled “Mineral Processing and Metallurgical Testing” therefore provides some recommendations for preliminary metallurgical work to be contemplated as the project moves forward.

- Drill sample rejects and or pulps should be re-run for cyanide-soluble gold. This can be done for selected samples that have a range of anomalous gold values. It is assumed that the highly oxidized (hematitic) brecciated and/or decalcified silty limestone that carries gold values will indeed present most all the gold to cyanide leach solutions; but this needs to be verified. AuEx, Inc. is in possession of the sample pulps and some of the coarse rejects.
- Core intervals of gold mineralization can be split again (quartered) to provide sufficient coarse material for simple bottle roll cyanide soluble tests; while still maintaining some of the original core interval for future reference.
- A broader suite of multi-element analyses might provide some additional insights. The 30 element ICP analyses completed to date do not, for instance, provide data for Thallium (Tl) concentrations. This may be more of a geochemical tool, useful in defining mineralization pathways.
- Additional petrography might shed some light on the gold-in-calcite occurrence at Long Canyon.
- Should sulfide minerals be encountered in sufficient quantities in future drilling, it will be imperative to examine that material for both cyanide soluble gold, and petrographically for any associations with gold.

- Carbonaceous material in any mineralized zone should be examined for active carbon “preg-robbing” characteristics. Loss in Ignition (LOI) analyses can provide information on carbon content which may have metallurgical importance.

The lack of any metallurgical test data is not a particular concern at this stage of the project.

Mineral Resource and Mineral Reserve Estimates

It is important to state that at this point in the project, there are no known undeveloped gold deposits and no established mineral resources or reserves for the Pequop Property; and none are appropriate. The discussions of mineralization in this report are not intended to imply that any mineral resource exists; as that can only be determined with significant additional drilling. The Pequop Property represents an advanced-stage exploration property for which surface exposures, and limited exploration drilling since 1995 indicates the presence of high-grade gold mineralization in several target areas, and these are the targets of proposed further exploration.

Environment, Health and Safety Protection

Although the Pequop Property is an exploration property, its close proximity to active mining areas of northern Nevada allows for close scrutiny by the Mine Safety and Health Administration and the State of Nevada Mine Inspectors office. Standard safety procedures are employed by all drilling contractors in Nevada, and those procedures should be audited for compliance by AuEx, Inc. personnel as exploration activities progress.

Minimizing the degradation of the natural environment is the intent of the reclamation activities which have been conducted concurrent with exploration, as discussed under “Property Description and Location – Environmental Liabilities and Permits and Licenses”. Those reclamation activities are standard operating procedures for the mining industry in Nevada. It is further noted that the Pequop Plan of Operation with the BLM involved an archeological assessment as part of the Environmental Assessment (“EA”) of the Pequop Property, and that archeological clearance has been obtained for all areas where roads, and drill sites have been constructed. Minor archeological sites noted as part of the EA have been flagged in the field for future avoidance. No such sites are close enough to existing drill roads or drill sites to be of concern. PNGC demonstrated an environmental awareness in constructing drill roads so as to avoid the larger trees in the project area.

It is further noted that the Notice of Intent under which exploration activities were conducted at Long Canyon, did not require an archeological survey or clearance. However; PNGC conducted an archeological review at Long Canyon, and flagged and avoided the minor sites that were noted, as a demonstration of good environmental/land stewardship.

PNGC has had a good record with respect to environment, health, and safety issues.

Interpretations and Conclusions of the Author of the Technical Report

The interpretations and conclusions presented here are those of Allan V. Moran, the author of the Technical Report, and may not entirely agree with those of PNGC or AuEx, Inc.

The work performed by PNGC at the Pequop Property, during the period of 1994 to 2001, was exploration work that conforms to industry standard practices and procedures. PNGC’s work is an excellent example of a grass-roots discovery of significant gold mineralization in a region of northern Nevada not previously known for gold mineralization. The program progressed in a logical way from regional BLEG and steam sediment sampling, through ridge and spur soil sampling, to discovery of high-grade gold in outcrop, definition of several gold-in-soil anomalies of size, and confirmation of gold mineralization by RC and core drilling. The project is now at an advanced exploration stage, where gold defined in drilling has characteristics that confirm a Carlin-Type gold deposit model; yet additional drilling is necessary to determine if a gold deposit is present. The work to date is detailed in nature, well documented, and verifiable in the field.

The style of gold mineralization defined at the Pequop Property is analogous to Carlin-Type gold mineralization. Gold is found in association with decalcified and locally jasperoid-silicified silty carbonate sediments, in association with arsenic, antimony, mercury, tungsten, and thallium; as mineralization in both high-angle fault/breccia structures, and in altered and locally brecciated stratiform horizons in several lower Paleozoic carbonate stratigraphic units, spread over a large area of the Pequop Mountain range.

Soil gold anomalies, and the related gold mineralization found in drilling at several locations is interpreted to be high-level leakage of mineralization along major fault/breccia zones; and may be indicative of a gold deposit at depth along those primary feeder structures, in favorable host rock Lithologies. The obvious targets, the soil gold anomalies, have been drill tested, and many of the holes have encountered gold mineralization that is generally stratiform and dipping in toward the major N-S fault zones. Mineralization at the Acrobat and Juggler targets may be related, and mineralization is open in several directions. Mineralization in Section 34 is stratiform, but may also be related to the Feeder Fault. Mineralization at the Mountaintop target is along the Ridgetop fault, and has not been drilled. The entire Acrobat-Juggler-Section 34-Mountaintop area covers nearly 4 square miles, and may all be related to the Feeder-QM-Ridgetop fault system; with potentially mineralized stratigraphy in this area at moderate depths having no direct surface manifestations.

The consolidation of the checkerboard land holdings in 2000 by PNGC now allows for a more thorough evaluation of the entire “district scale” area of gold occurrences. The extent of mineralization at surface, and the magnitude of some drill hole intersections, puts the Pequop Property in the category of a highly attractive Carlin-Type gold exploration property; worth of additional follow-up exploration drilling.

Recommendations

Recommendations for the next phase of exploration at the Pequop Property are several:

Phase I-A – Geology/Geophysics

A thorough review on the ground of the geology is recommended. Detail mapped geology appears quite good, but interpretations particularly with respect to fault structure is key. Previous mappers in the region put a lot of emphasis on thrust faults, which PNGC reported as “problematic” in locating on the ground. An open mind with respect to re-interpretation of structure may be key to defining specific drill targets. An example is the NE linear alignment of soil gold anomalies in Section 34, for which there is no apparent structural control. In this regard, a complete examination of the airborne survey is recommended, with emphasis on defining structure. Air photo lineation studies and digital topography lineation studies may also define subtle but important structure. All the above apply to the Long Canyon target as well, with an effort to try to tie the areas together on a district scale structural analysis.

Satellite imagery and or hyper-spectral airborne data might also be a benefit. Certainly the subtle hematitic staining that appears coincident with gold in soil anomalies at Long Canyon should be readily identifiable with multi-spectral imagery.

Selective additional geochemical data such as thallium (not present in the 30-element ICP data presently on hand) might develop some pathfinder to gold mineralization. It is suggested that a geochemist thoroughly review the multi-element data currently in the data base, as factor analysis or other data analysis tools may point to some other combination of elements that are a pathfinder suite. The broader-based anomalies of combined tungsten and antimony in soils which are mapped for the western targets is a good example of how this approach might work.

Geophysics is a possible tool to be used, but it is recommended after a drill hole encounters mineralization in a new or different setting. At this point in the project, drilling is perhaps the best way to get sub-surface information. Possible geophysical techniques to consider are CSAMT and or Quantec’s Titan 24 DCIP/MT survey. Both are good for looking deeper than the current relatively shallow drilling, and can define structure. A couple of lines of CSAMT, across stratigraphy, and across the major fault zones should help define

the dip of those structures, and resistivity at depth may help correlate with drilled stratigraphy. Such surveys, across topography, will be logistically challenging and relatively costly.

Recommendations are presented in a two-stage Phase I, 12-month program; with an additional 12-month Phase II follow-up program based upon success in Phase I.

Phase I-A Exploration costs (4 to 6-month period)

Geology (structure/geochemistry/imagery):

- Staff geologists (data/database review, permitting) \$30,000
- Consultants (4 man-months + expenses) 20,000
- Additional geochemical data (if required) 4,500

Geophysics / Imagery (data evaluation) 3,000

Total Phase I-A \$57,500

Phase I-B – Initial Drilling

Initial drill targets already exist, and include direct follow-up of encouraging drilling at the Acrobat and Juggler targets; stepping up-hill into the hanging wall of the Feeder Fault. Mineralization here is open along strike and at depth. PNGC had been in the process of modifying the Plan of Operation to include such drilling, and an access road to Mountaintop. It is recommended that the amended permit allow for drill road access from the Acrobat target up to the Mountaintop target. This access road will cross the major N-S faults and perhaps expose alteration/mineralization. A program of 15 drill holes in the Acrobat Juggler area is recommended as a first pass, with a minimum of 5 holes at the Mountaintop target.

The Long Canyon exploration target requires additional drilling and will also require the need for additional drill access roads to the rest of the geochemical anomaly. A minimum of 10 drill holes is recommended.

Phase I-B Exploration costs (5 to 6-month period):

- Drill roads/site construction \$16,000
- Reclamation/Permitting 25,000
- Acrobat – 15 holes; 9,000 ft RC @ \$15/ft 135,000
- Mountaintop – 5 holes, 2500 ft RC @ \$15/ft 37,500
- Long Canyon – 10 holes, 5,000 ft RC @ \$15/ft 75,000
- Analytical – 3000 samples @ \$12/sample 36,000
- Land Costs (BLM fees, lease fees, etc.) 75,000
- Project Geologist and drill support staff 60,000
- Travel/living/other expenses 27,000
- Miscellaneous, database management, other 10,000
- Permit Bonding 283,000

Total Phase I-B \$779,500

Total Phase I-A 57,500

Total Phase I (A&B); 12-month period **\$837,000**

Given the project logistics of drill road construction in moderately steep terrain, and allowing time for amendments to the Plan of Operations, a total magnitude budget of approximately US\$837,000 in a 12-month time frame is an aggressive, but achievable program. The line item cost of \$283,000 for Permit Bonding is the estimated first year requirement to initiate a bond replacement for the current PNGC cash bond of \$443,000; with subsequent annual costs being approximately \$41,000 to maintain the bonding in force.

Phase II

Phase II exploration would consist of follow-up drilling and drill support services, in the event of Phase I drilling success; and is estimated at \$1,000,000, over an additional eight to 12-month period. The largest portion of the additional \$1.0 million would be allocated to drilling costs.

Total Phase I; 12-month period	\$837,000
Total Phase II; 12-month period	1,000,000
Total Phases I and II; 24-month period	<u>\$1,837,000</u>

OTHER PROPERTIES

In addition to the Pequop Property, the Company holds, through AuEx, Inc., the following property interests, no one of which is presently considered to be material for the purpose of this offering. The properties described below are not the subject matter of the Technical Report. The description has been prepared by the Company's management.

Buffalo Canyon, Nye County, Nevada

The Buffalo Canyon project consists of 22 unpatented lode claims owned by the Company located in Nye County, Nevada. The project covers a large intrusive related mineral system with gold, silver and base metal mineralization hosted within Mesozoic sediments. Limited outcrops of the intrusive contain feldspar-flooded porphyry, quartz-tourmaline veins and, at least locally, a late adularia overprint on earlier propylitic alteration. The project area contains numerous small prospects developed on quartz veins largely dipping eastward into a large NNE regional structure. Samples taken by AuEx, Inc. on the AuEx, Inc. claims have returned gold values up to 8 g/t. Recent outcrop sampling conducted and reported by Nevada Pacific Gold (US), Inc. on their adjacent claims reports gold values up to 15 g/t. Drilling by earlier explorers on the Nevada Pacific Gold claims reportedly contains intercepts within metasediments grading in the range of 0.5 g/t to 1 g/t gold however there has been no drilling on the AuEx, Inc. claims. Discussions are underway with Nevada Pacific Gold regarding an exploration agreement. The target is gold, silver and base metal mineralization in intrusive related settings involving large structures, favorable carbonate host rocks and marginal zones of the intrusive.

The Company acquired the Buffalo Canyon property pursuant to an Unpatented Lode Claim Purchase Agreement between Parellex, LLC and AuEx, Inc. for a purchase price of \$5,000 and a 1% NSR from any future production from the Buffalo Canyon property. Parellex, LLC is wholly-owned, indirectly, by Messrs. Ronald Parratt and Richard Bedell, officers and directors of AuEx, Inc. and the Company. Messrs. Parratt and Bedell each hold a 50% interest in the NSR.

Bunce Project, Pershing County, Nevada

The Bunce project is located in Pershing County, Nevada and consists of:

- 93 unpatented lode mining claims owned by the Company. Thirty-one of these claims were transferred to AuEx, Inc. by Parellex, LLC., a company indirectly owned by Ronald L. Parratt, President, Chief Executive Officer and director of the Company, and Richard L. Bedell, Jr., Vice-President, Secretary and director of the Company. No consideration was paid for this transfer. The balance of the these claims were staked by AuEx, Inc.;

- 80 acres of fee land leased by AuEx, Inc. from Chisum Incorporated pursuant to a Mining Lease with Option to Require Purchase (the “Bunce Lease”) made April 19, 2004;
- 40 unpatented lode mining claims and approximately 4,100 acres of land leased and subleased from Newmont Mining Corporation pursuant to a Minerals Lease, Sublease and Agreement dated September 9, 2004; and
- 14 unpatented lode mining claims leased by the Company from Gerald W. Baughman and Fabiola A. Baughman pursuant to a Mining Lease and Option to Purchase Agreement effective October 1, 2004.

Bunce contains a low sulfidation, epithermal gold-silver target hosted within tertiary volcanics. Significant drilling by previous explorers has defined a moderate to small sized zone of gold mineralization in one area but only limited drilling has been performed elsewhere on the property. High-level alteration consisting of chalcedonic and opaline silica, argillization and anomalous pathfinder geochemistry appears widespread and suggests that the mineral system is large. Numerous faults with post-mineral movement have complicated the geology but may also mark the location of the mineralizing structures that can guide future exploration

The Bunce Lease is for a term of 20 years but may be extended by the Company on a year-to-year basis on certain express conditions described in the Bunce Lease. The Company is required to pay a 4% NSR, yearly rent which may be applied to the NSR payable for such year and yearly work commitment expenditures. The rent payable under the Mining Lease is US\$4,000 payable on execution (which has been paid), US\$4,000 on the first anniversary, US\$6,000 on the second anniversary, US\$8,000 on the third anniversary, US\$10,000 on each of the fourth and fifth anniversaries, US\$15,000 on the sixth through tenth anniversaries and US\$50,000 (subject to adjustment for inflation) on the eleventh anniversary and on each anniversary thereafter. The amount the Company is required to expend for work commitment is US\$25,000 during each of the first two years, US\$50,000 during each succeeding year. At the option of Chisum Incorporated, the Company is required to purchase the property for US\$80,000 (subject to adjustment for inflation). Rental payments will not be credited against the purchase price. The Company may terminate the Mining Lease with Option to Require Purchase at any time on 30 days notice.

The Minerals Lease, Sublease and Agreement with Newmont Mining Corporation provides for the Company to pay the sum of US\$5,344 on execution (which has been paid) of the agreement, to expend for work commitments on the property leased and subleased from Newmont and any property within a defined area of interest in which AuEx, Inc. owns, controls or holds any other interest (collectively, the “Property”) a total of US\$2,000,000 on or before the seventh anniversary of the date of the agreement with yearly minimums of US\$75,000 during the first year, US\$125,000 during the second year and US\$100,000 during each of the third, fourth, fifth, sixth and seventh years. The Company is also required to pay annual rent commencing on the eighth anniversary of the agreement if the Company does not spend at least US\$500,000 on expenditures during the previous year; the amount of the annual rent will be the greater of US\$20,000 and US\$10 per acre of the lands covered by the agreement during any part of the previous year, provided the US\$10 per acre rate will increase by 5% each year after the eighth anniversary. In addition, for the portions of the Property being subleased to the Company, the Company is obliged to fulfill the obligations of Newmont Mining Corporation under the underlying leases. The Company may terminate the agreement at any time, for all or any part of the property, once it has spent US\$200,000 in expenditures. Newmont Mining Corporation retains the right to back in to a 51/49 joint venture but with specific expenditure requirements on its part; however, if it does not elect to enter into a joint venture with the Company, it will be entitled to a NSR from the Property based on the price of gold.

The Mining Lease and Option to Purchase Agreement (the “Baughman Agreement”) between AuEx, Inc., as lessee, and Gerald W. Baughman and Fabiola A. Baughman, as owners (together, the “Owner”) is for a term of 20 years from the Effective Date of October 1, 2004. AuEx, Inc. made an initial cash payment of US\$5,000 and is to make additional cash payments as follows: US\$5,000 on the first anniversary of the Effective Date, US\$10,000 on the second anniversary, US\$15,000 on the third anniversary, US\$20,000 on the fourth and fifth anniversaries, US\$25,000 on the sixth and seventh anniversaries; US\$30,000 on the eighth anniversary,

US\$40,000 on the ninth anniversary and US\$50,000 on the tenth and each succeeding anniversary. In addition, the Baughman Agreement provides that AuEx, Inc. will cause AuEx Ventures, Inc. to issue to the Owner, common shares of AuEx Ventures, Inc. as follows: on the third anniversary of the Effective Date, shares worth US\$7,500; on the fourth and fifth anniversaries, shares worth \$10,000; on the sixth and seventh anniversaries, shares worth US\$12,500; on the eighth anniversary, shares worth US\$15,000; on the ninth anniversary, shares worth US\$20,000; and on the tenth to twentieth anniversaries, shares worth US\$25,000; up to a maximum of 300,000 common shares. AuEx, Inc. has an option to purchase the property at any time after it decides to commence development of or mining on the property, or completes a positive feasibility study, for the purchase price of US\$100,000. If AuEx, Inc. exercises the option, all of the cash payments made by it will be applied towards payment of the purchase price. The Baughman Agreement also provides that AuEx, Inc. will pay the Owner an NSR royalty of 3%, but may purchase up to 2/3rds of the NSR royalty (representing 2%) from the Owner for US\$1,000,000 for each percent purchased. AuEx, Inc. may terminate the Baughman Agreement at any time on 30 days' advance notice to the Owner.

Fireball Ridge, Churchill Canyon, Nevada

The Fireball Ridge property consists of 20 unpatented lode claims owned by the Company and two additional unpatented lode claims leased by the Company from individuals, who are at arm's length to the Company, all in Churchill County, Nevada. The 20 unpatented lode claims were transferred to the Company by Parellex, LLC., a company indirectly owned by Ronald L. Parratt, President, Chief Executive Officer and director of the Company, and Richard L. Bedell, Jr., Vice-President, Secretary and director of the Company. No consideration was paid for this transfer.

The two additional unpatented lode claims were leased by AuEx, Inc. pursuant to a Mining Lease (the "Two Claim Lease") made the 15th day of April, 2003. This lease is for a term of 10 years but may be extended and requires AuEx, Inc. to pay an advance minimum royalty of \$2,000 on execution of the lease (which has been paid), \$2,000 on each of the first through fourth anniversaries of the lease; \$3,000 on the fifth anniversary of the lease, \$5,000 on each of the sixth through tenth anniversaries of the lease and \$10,000 on each subsequent anniversary. Upon production from the two unpatented lode claims, AuEx, Inc. must pay a net smelter royalty of 3% (for which the advance minimum royalty payments are to be applied on a yearly basis) plus a 0.5% royalty on production from adjoining lands. Before commencing mining, AuEx, Inc. must offer to buy the leased property at fair market value, without consideration of mineral value, and if the owner accepts the offer, the property will be transferred subject to the 3% net smelter royalty. The lease may be terminated by AuEx, Inc. on 30 days prior written notice to the owner and may be assigned by AuEx, Inc. with the consent of the owner, not to be unreasonably withheld.

The property contains a low sulfidation, epithermal gold-silver mineral system hosted within Mesozoic metasediments and potentially tertiary volcanics. A small zone of gold mineralization has been identified by earlier drilling and is present within fractured, silicified, adularia bearing Mesozoic metasediments on the footwall side of a large range front fault. Tertiary volcanics are present in the area and are believed to be present in the pediment covered hanging wall side of the range front fault.

The exploration target is gold and silver mineralization hosted within either the metasediments or volcanics within the hanging wall of the range front fault or associated with other covered faults in the pediment.

Pursuant to a Mining Lease and Option to Purchase Agreement (the "Fireball Lease") dated effective February 15, 2004, AuEx, Inc. leased the Fireball Ridge property to Newcrest Resources Inc. ("Newcrest") for a term of 10 years, renewable for additional terms of 10 years for a total of up to 100 years. Under the Fireball Lease, Newcrest has agreed to pay the Company (i) an Earned Production Royalty (as defined in the Fireball Lease) of 2% if the price of gold is less than US\$300 per ounce and 3% if the price of gold is US\$300 per ounce or more, (ii) to make the production royalty payments due under the Two Claim Lease plus a 0.5% override net smelter return royalty to the Company, (iii) to make Annual Advance Royalty Payments of \$15,000 on the effective date of the Fireball Lease, \$20,000, \$25,000, \$30,000, \$35,000, \$40,000 and \$45,000 on the first through sixth anniversaries, respectively, of the effective date, and \$50,000 on the seventh anniversary and on

each anniversary thereafter, to be applied to the Earned Production Royalty, and (iv) to pay the advance minimum royalty payments due under the Two Claim Lease. If Newcrest commences mining from the property, it may purchase the property, subject to the Earned Production Royalty, for US\$100,000 to be applied to the Earned Production Royalty. Newcrest may terminate the Fireball Lease at any time on 30 days notice.

In addition to leasing all of the Fireball Ridge property controlled by the Company, Newcrest has staked approximately 171 additional unpatented lode claims in proximity to the Company's claims and has permitted an exploration drilling program that is currently scheduled for early 2005.

Fireball South, Churchill Canyon, Nevada

The Fireball South project consists of 22 unpatented lode claims (16 of which were staked by AuEx, Inc. and 6 of which were purchased from an arm's length vendor for cash) owned by the Company, 1,920 acres of optioned fee land and a lease/option to purchase 160 acres of fee land in Churchill County, Nevada (see "Other Properties – Exploration License and Option to Lease Agreement"). Fireball South is similar in concept and geology to the nearby Fireball Ridge project described above. At Fireball South, a number of small gold and silver prospects are hosted within Mesozoic metasediments and Tertiary volcanics within the southern tip of the Fireball Ridge horst. Gold values from outcrop sampling performed by AuEx, Inc. are widespread and contain up to 5 g/t gold from within well-developed stock work veining and silicification. The footwall side of each of the bounding structures has seen moderate drilling but the hanging wall side of each fault, which is covered by post-mineral tertiary basalt or alluvium has had only a few shallow holes drilled in one small target area. The majority of the hanging wall targets are untested.

AuEx, Inc. entered into a Mining Lease and Option to Purchase Agreement (the "Grove Agreement") made the 28th day of October, 2004 with Beverly Grove for the 160 acres of fee land. The Grove Agreement is for a term of five years and requires an annual payment of US\$1,600, the first of which was made on execution of the Grove Agreement. AuEx, Inc. may purchase the property at any time prior to the end of the fifth lease year for the purchase price of US\$18,000. The annual payments do not apply to the purchase price. There is no retained royalty or work obligation. The Company may terminate the Grove Agreement at any time on 30 days' notice.

The Company is seeking an exploration partner for the project.

JPW, Churchill County, Nevada

The JPW project consists of 24 unpatented lode claims staked and owned by the Company and 480 acres of optioned fee land located in Churchill County, Nevada (see "Other Properties – Exploration License and Option to Lease Agreement"). The prospect contains a probable mesothermal gold-silver target hosted within a series of northeast faults in sericitically altered Mesozoic meta-sediments and meta-volcanics. AuEx, Inc. defined the target area from proprietary processing of satellite imagery. Ground follow-up and sampling by AuEx, Inc. has returned gold values to 5.5 g/t, silver values to 567 g/t and strongly anomalous pathfinder geochemistry. Previous explorers conducted trenching in two areas with several drill holes being drilled in one of these.

The Company is seeking an exploration partner for the project.

Leonid, Elko County, Nevada

The Leonid property consists of 76 unpatented lode claims owned by the Company located in Elko County, Nevada and is a Carlin-style epithermal gold target hosted in Paleozoic sediments. Leonid is located in the southern portion of the Carlin Trend and was initially defined from proprietary processing of satellite imagery that showed hypogene alteration in an area of Paleozoic shale. Outcrop sampling during subsequent ground follow-up confirmed anomalous Carlin-type pathfinder geochemistry, vein style barite breccias and jasperoids on large structures that defined a graben-like feature within which the satellite anomaly was located. Recently, the Roberts Mountains Thrust has been located within the graben and is mineralized everywhere that it is exposed.

The exploration target is gold mineralization along and near the hanging wall margins of the graben. The target has not been drilled.

The Company acquired 34 of the 76 claims comprising the Leonid property pursuant to an Unpatented Lode Claim Purchase Agreement between Parellex, LLC and AuEx, Inc. in consideration of \$5,000 and a 1% NSR from any future production from the Leonid property. Parellex, LLC is wholly-owned, indirectly, by Messrs. Ronald Parratt and Richard Bedell, officers and directors of AuEx, Inc. and the Company. Mr. Parratt's share of the NSR is 10% and Mr. Bedell's share is 90%. The balance of the claims comprising the Leonid property were acquired pursuant to the lease agreement described in the paragraph below as a result of staking by Nevada Superior, Inc.

As of June 1, 2004, AuEx, Inc. entered into an Exploration and Development Agreement (the "Nevada Agreement") with Nevada Superior, Inc. pursuant to which AuEx, Inc. granted to Nevada Superior, Inc. exclusive rights to explore, evaluate and develop the Leonid property, and the option to earn a 50% undivided interest in such claims. The property subject to the Nevada Agreement also includes any claims in which either of the parties acquires an interest in a defined area of interest and which the other party elects to include. In order to earn its 50% interest, Nevada Superior Inc. paid AuEx, Inc. US\$10,000 on execution of the Nevada Agreement, and is required to (i) pay AuEx, Inc. \$10,000 on each of the first and second anniversaries of the Nevada Agreement and \$15,000 on each of the third, fourth and fifth anniversaries of the Nevada Agreement (such payments to be included in its Aggregate Work Obligation and to cease once Nevada Superior, Inc. has met its Aggregate Work Obligation), (ii) expend an aggregate of \$1,500,000 prior to the sixth anniversary of the Nevada Agreement as its Aggregate Work Obligation. Nevada Superior, Inc. may terminate the Nevada Agreement in its entirety or from time to time with respect to any of the claims on 30 days written notice. The Nevada Agreement further provides each of the parties with a right of first refusal if the other of them wishes to sell any of its interest in the Nevada Agreement or the property subject to the Nevada Agreement.

Pasco Canyon, Nye County, Nevada

The Pasco Canyon project consists of 24 unpatented lode claims owned by the Company located in Nye County, Nevada. Pasco Canyon is a low sulfidation, epithermal gold-silver target hosted within tertiary volcanics that was initially defined from proprietary processing of satellite imagery. A large area of breccia composed of volcanic fragments and containing coarsely bladed quartz after calcite is present on the footwall side of a range front fault. The breccia contains low values of gold up to 200 ppb, elevated values in arsenic, antimony and mercury and is thought to represent the upper portion of a classic epithermal system similar to others in the area. The hanging wall side of the fault is covered by alluvium but contains a well-defined magnetic low similar to the magnetic low developed in the area of mineralized volcanic breccia on the footwall side of the fault.

The target is gold-silver mineralization in deeper portions of the system in either the exposed footwall portion of the system or in the covered hanging wall portion of the system.

The Company acquired the Pasco Canyon property pursuant to an Unpatented Lode Claim Purchase Agreement dated June 3, 2003 between Parellex, LLC and AuEx, Inc. in consideration of \$5,000 and a 1% NSR from any future production from the Pasco Canyon property. Parellex, LLC is wholly-owned, indirectly, by Messrs. Ronald Parratt and Richard Bedell, officers and directors of AuEx, Inc. and the Company. Mr. Parratt's share of the NSR is 10% and Mr. Bedell's share is 90%.

NDT Ventures, Ltd. of Vancouver, BC entered into an exploration joint venture agreement with the Company in June 2003 to explore and potentially develop the Pasco Canyon property. NDT drilled two holes on the property in April 2004 that confirmed the presence of the mineral system but encountered only weakly anomalous gold mineralization. NDT withdrew from the project in June 2004 and the Company is presently seeking a new joint venture partner.

Sinter, Pershing County, Nevada

The Sinter project consists of eight unpatented claims staked and owned by AuEx, Inc. and 1,280 acres of optioned fee land located northwest of Lovelock in Pershing County, Nevada (see “Other Properties - Exploration License and Option to Lease Agreement”). The property contains numerous showings of near surface hot spring style alteration and mineralization with local gold values to 500 ppb along with strongly anomalous pathfinder elements. The host rocks consist predominately of tertiary volcanics overlying Mesozoic meta-sediments. The structural zones responsible for the hot spring alteration and mineralization do not appear to have been identified. One drill hole completed by earlier explorers is reported to have encountered strongly anomalous gold values.

The Company is seeking an exploration partner for the property.

Swiss Bank, Pershing County, Nevada

The Swiss Bank project consists of 18 unpatented claims staked and owned by the Company and approximately 2,560 acres of optioned fee land located in Pershing County, Nevada (see “Other Properties - Exploration License and Option to Lease Agreement”). The property hosts a low sulfidation, epithermal gold-silver target hosted within tertiary volcanics. The prospect has several multi-gram gold samples from outcrop sampling and in prior shallow drilling. At least three areas contain structurally defined, silicified veins/shear zones hosted within felsic volcanics or flows. Shallow drill holes define a 60-foot thick stratigraphic horizon near an old shaft that is reported to average 0.4 g/t Au. An 8.6 foot section within this horizon contains 2.6 g/t Au and 9 g/t Ag. Trace element geochemistry is highly anomalous throughout the area including multiple ppm Hg, tens of ppm Sb, and hundreds of ppm As. Interestingly, mineralization near the old shaft contains up to a few % in fluorine and hand specimens containing clear fluorite crystals can be obtained from the dump. Exposed areas of mineralization are thought to represent the upper levels of an epithermal system based on alteration and geochemistry. Prior shallow drilling has not adequately tested one target and at least two other targets remain undrilled.

The Company is presently seeking a joint venture partner.

Thunder Mountain, Nye County, Nevada

The Thunder Mountain project consists of 90 unpatented claims staked and owned by the Company, and 48 unpatented lode claims and 160 acres of fee land either leased or subleased from Reinert Corporation, located northeast of Tonopah in Nye County, Nevada. The property contains several showings of tertiary epithermal style gold/silver mineralization hosted within northwest and north south trending faults contained in tertiary felsic and intermediate volcanics similar to the Midway Gold Corp. gold deposit located a few miles to the north. Outcrop sampling by AuEx, Inc. has returned gold values up to 1+ g/t.

The Company leased the 48 unpatented lode claims and 160 acres of fee land comprising part of the Thunder Mountain property from Reinert Corporation pursuant to a Mining Lease and Option to Purchase Agreement (the “Reinert Lease”) between AuEx, Inc. and Reinert Corporation effective June 30, 2004 for a term of 20 years, subject to the Company’s right to renew for additional terms of one year each. The property subject to the Reinert Lease also includes any claims in which either of the parties acquires an interest in a defined area of interest. The Reinert Lease provides for the Company to make advance payments to Reinert Corporation of \$10,000 plus claim location costs on execution of the Agreement (which has been paid), \$10,000 on January 1, 2005, \$20,000 on January 1, 2006, \$40,000 on January 1, 2007, \$60,000 on January 1, 2008, \$80,000 on January 1, 2009 and \$100,000 on January 1, 2010 and on January 1 of each succeeding year during which the Agreement is in effect. The Company is also required to pay an NSR royalty of 2.5% if the price per troy ounce of gold is less than or equal to US\$300, 3.0% if the price per troy ounce of gold is more than \$300 but less than or equal to \$400 and 3.5% if such price is greater than \$400; the advance payments will be credited to the royalty payments. The Reinert Lease provides the Company with an option to purchase the property once the Company has completed a feasibility study and determined to construct or develop a mine. The purchase price will be \$100 for each unpatented mining claim purchased. The Company will receive title to the portion of the property owned by Reinert and the leasehold interest held by Reinert

in the portion of the property leased by Reinert. The Company may terminate the Reinert Lease on 30 days prior written notice.

Pursuant to a letter agreement dated August 16, 2004 (the "Letter Agreement"), AuEx, Inc. granted to Alaska Gold Company the exclusive right and option to acquire an 80% undivided interest in the interest of AuEx, Inc. in the Thunder Mountain property. The property subject to the Letter Agreement also includes any claims in which Alaska Gold acquires an interest in a defined area of interest, and any claims in which AuEx, Inc. acquires an interest in a defined area of interest which Alaska elects to include. In order to acquire the 80% interest, Alaska Gold Company paid AuEx, Inc. a one time payment of US\$10,000, agreed to reimburse the Company for the US\$10,000 advance payment paid to Reinert Corporation on the entering into of the Reinert Lease and agreed to spend an aggregate of US\$2,000,000 on qualified expenditures prior to the seventh anniversary of the date of the Letter Agreement. Upon Alaska Gold Company earning its 80% interest, the Company and Alaska Gold Company will enter into a formal joint venture agreement. Alaska Gold Company may terminate the Letter Agreement on 30 days written notice to the Company.

Exploration License and Option to Lease Agreement

In addition to the above, AuEx, Inc. has entered into an Exploration License and Option to Lease Agreement (the "NLRC Agreement") with Nevada Land and Resource Company, LLC ("NLRC") covering about 26,000 acres of fee land in Nevada, 6,880 acres of which are generally in the area of five of the Company's existing projects, namely Bunce, Fireball South, JPW, Sinter and Swiss Bank. Other interesting gold and silver prospects are known to be present on or near these lands and, in addition, the Company has identified other new targets on or near these properties. These are being field inspected now and may lead to new projects for the Company.

The NLRC Agreement has an Effective Date of September 5, 2003 and it is for a term of five years. It gives the Company a license to explore the subject property and an option to enter into one or more lease and option to purchase agreements for all or a part of the subject property. It requires the Company to pay \$0.50 per acre during each of the first three years, and \$1.00 per acre for each of the fourth and fifth years of the exploration license. Payment for the first year is unconditional, following which the NLRC Agreement can be terminated by the Company on 30 days' notice and subsequent payments are only due to the effective date of termination. The NLRC Agreement also requires the Company to pay a production royalty to NLRC from certain other properties included in an area of interest and to surrender (including exercising its option to lease) not less than one half of the patented lands, including lands acquired upon the exercise of the option provisions of the NLRC Agreement, on or before the third anniversary or pay NLRC an additional \$10,000.

USE OF FUNDS

The proceeds to be received by the Company from the offering will be \$1,600,000 and, together with the working capital of the Company at October 31, 2004 of \$36,183, the Company will have available funds of \$1,636,183 to be used for the purposes listed below:

Purpose	Amount
Phase I Exploration budget for the Pequop Property ⁽¹⁾	\$554,000
Reclamation bond for the Pequop Property ⁽¹⁾⁽²⁾	283,000
Claim and contract fees to maintain the Other Properties ⁽³⁾	100,000
Estimated expenses of the offering not paid or accrued as at October 31, 2004	100,000
Estimated general and administrative expenses for the 12 months following this offering ⁽⁴⁾	400,000
Planned capital expenditures for the 12 months following completion of this offering	40,000
Working capital (unallocated) to fund ongoing operations	159,183
Total Funds Available:	\$1,636,183

(1) See “The Pequop Property – Recommendations”.

(2) See “Development of the Business of the Company – Proposed Significant Acquisition”.

(3) See “Other Properties”.

(4) The Company intends to retain the services of a Chief Financial Officer on a part-time basis following completion of this offering. The cost associated with this retainer is included in the Company’s estimate of its general and administrative expenses for the 12 months following completion of this offering.

The Company intends to spend the available funds to it as stated in this prospectus. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary.

SELECTED FINANCIAL INFORMATION

The following selected financial information is based on and derived from the audited financial statements of AuEx, Inc. and notes thereto, included elsewhere herein. The following information should be read in conjunction with the financial statements attached to this prospectus and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Operating Data:

	Year ended June 30, 2004	From inception January 16, 2003 to June 30, 2003
Revenue	Nil	Nil
Expenses	\$317,309	\$93,943
Loss for the period	\$(317,309)	\$(93,943)
Basic and diluted loss per share	\$(0.05)	\$(0.02)

Balance Sheet Data:

	Year ended June 30, 2004	From inception January 16, 2003 to June 30, 2003
Total assets	\$776,129	\$180,289
Total current liabilities	\$133,931	\$54,232
Total long term liabilities	Nil	Nil

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

AuEx, Inc. began operations in January of 2003, focusing initially on assembling a collection of mineral property interests. To date, it has acquired 11 mineral property interests, all in Nevada. In early March 2004, the Agent and AuEx, Inc. entered into an agreement pursuant to which, among other things, the Agent agreed to act as agent for a "best efforts" initial public offering of AuEx, Inc. in British Columbia and Alberta. Subsequently, AuEx, Inc. created AuEx Holdings, Inc. and AuEx, Ventures, Inc. with a view to AuEx, Inc. conducting its initial public offering indirectly through AuEx Ventures, Inc. On August 18, 2004 AuEx, Inc. entered into the Pequop Agreement pursuant to which it has agreed to acquire all of the membership interests of PNGC, the owner of the Pequop Property. The Pequop Property is, for the purpose of this offering, the Company's sole material property.

PNGC was incorporated in 1993. Thereafter until 2001 it engaged in gold exploration in Nevada. PNGC became inactive in 2001, and has remained so to date. Although PNGC owns the Pequop Property, it has no material financial liabilities or assets. Accordingly, its financial statements are not regarded by management of the Company as relevant to this offering.

AuEx Ventures, Inc. has been inactive since its incorporation, having been created solely for the purpose of facilitating the initial public offering of AuEx, Inc. The only material asset of AuEx Ventures, Inc. is its holding of approximately 25% of the outstanding shares of AuEx, Inc., and it has no material liabilities.

Because of the inactivity of PNGC and AuEx Ventures, Inc., a meaningful discussion and analysis of financial condition and operating results is possible only in respect of AuEx, Inc. Much of the difference in its operating results between its fiscal 2003 and 2004 period can be explained on the basis that the former period was shorter than the latter, running from incorporation on January 16, 2003 to June 30, 2003, as compared to 12 months for fiscal 2004.

Fiscal 2004 compared to fiscal 2003

AuEx, Inc. has generated no revenue to date.

Corporate finance fees of \$14,000 were incurred in fiscal 2004 as compared to nil in fiscal 2003. This is attributable to a finder's fee paid in connection with a financing conducted in fiscal 2004.

Office and miscellaneous expenses increased from \$5,000 in fiscal 2003 to \$44,000 in fiscal 2004. This is attributable to the latter period being one in which the operation of AuEx, Inc. broadened beyond the very early stage of start up to include more administrative functions. This is reflected in the composition of office and miscellaneous expenses. In fiscal 2003 they consisted primarily of automobile expenses, office supplies, and telephone, broadening in fiscal 2004 to also include administrative payroll and insurance.

Professional fees increased from \$8,000 in fiscal 2003 to \$96,000 in fiscal 2004. This is attributable to the expansion of the Company's operations in fiscal 2004. Professional fees consist principally of fees paid to legal advisors and auditors.

Rent increased from \$2500 in fiscal 2003 to \$8000 in fiscal 2004 primarily because of the longer period comprising fiscal 2004 as compared to fiscal 2003. Rent covers payments on account of the lease of premises.

Travel and related expenses increased from \$700 in fiscal 2003 to \$10,000 in fiscal 2004. The increase is primarily attributable to attending more trade shows and conferences in fiscal 2004. Travel and related expenses consist of lodging, meals and transportation.

Management fees increased from \$45,000 in fiscal 2003 to \$90,000 in fiscal 2004; and consulting fees increased from \$32,000 in fiscal 2003 to \$47,000 in fiscal 2004. In both cases the increase is primarily attributable to fiscal 2004 being longer than fiscal 2003. All of the management fees and consulting fees were paid to Messrs.

Parratt and Bedell. The difference between amounts recorded as management fees and amounts recorded as consulting fees is that the former were satisfied by issuing common shares pursuant to the Operating Agreement and the latter were satisfied in cash and by issuing shares.

In fiscal 2003 and 2004 the total salaries and management fees paid to Messrs. Parratt and Bedell totaled \$208,000 and \$436,000, respectively. See “Executive Compensation”. The portion of these salaries relating to the acquisition or exploration of mineral properties in which AuEx, Inc. has an interest are not expensed but are capitalized and reflected in the mineral properties line item of the balance sheet. This explains the difference between the amount of the compensation disclosed as having been paid to management in the “Executive Compensation” section of this prospectus and the amount of management fees and consulting fees recorded on the statement of operations of AuEx, Inc.

Of the total salaries and management fees paid to Messrs. Parratt and Bedell, amounts recorded to mineral property costs were \$120,000 in fiscal 2003 and \$240,000 in fiscal 2004. These amounts were paid to Messrs. Parratt and Bedell by the issuance of shares pursuant to the Operating Agreement under which AuEx, Inc. was created. Under that Operating Agreement, Messrs. Parratt and Bedell each subscribed for 2,000,000 common shares of AuEx, Inc. (See “Other Material Facts” for a description of the particulars of the Operating Agreement.) The consideration for the issuance of these shares consisted principally of property that Messrs. Parratt and Bedell made available to AuEx, Inc. Under the Operating Agreement, AuEx, Inc. had a right (the “Right”) as against each of Messrs. Parratt and Bedell to cancel a portion of these shares if they ceased providing services to AuEx, Inc. prior to December 31, 2004. The Right lapsed over time, and as it did, the number of shares in respect of which it lapsed were said to have vested. The financial statements of AuEx, Inc. have been prepared on the basis that each lapse constitutes a notional issuance for services of the shares to which the lapse relates, that the value of the shares so issued is their fair value at the date of such issuance and that such value is recorded as an expense to AuEx, Inc. that is capitalized as mineral property costs. See note 6(d) to the financial statements of AuEx, Inc.

The loss increased from \$94,000 in fiscal 2003 to \$317,000 in fiscal 2004.

Liquidity and Capital Resources

Net cash used in operations was \$82,000 in 2004, and net cash used in investing activities was \$194,000. The Company has funded its operations to date from the sale of its equity securities. Net cash provided by financing activities increased from \$100,000 in fiscal 2003 to \$528,000 in fiscal 2004. As at October 31, 2004 the Company had working capital of \$36,000. Upon completion of this offering, the Company expects to have funds available (being working capital plus the net proceeds of this offering) of approximately \$1,636,000. These funds will provide the Company with sufficient financial resources to achieve the objectives described under “Use of Funds”. The Company must raise additional capital to pursue mineral exploration opportunities beyond those described under “Use of Funds”. If additional capital financing arrangements, including public or private sales of debt or equity securities are insufficient or unavailable, the Company will modify its growth, mineral exploration and operating plans to match available funding. Any additional equity financing may be on terms that are dilutive, or potentially dilutive, to its shareholders. Debt financing, if available, may involve restrictive covenants with respect to the Company’s ability to pay dividends, raise additional capital or execute various other financial and operational plans. See “Risk Factors”.

SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of common shares, 10,000,000 preferred shares and one special voting share (the “Special Voting share”). As at the date of this prospectus, there are 2,800,000 common shares and no preferred shares and no Special Voting share outstanding.

As at November 15, 2004, after giving effect to the Merger Agreement and the Pequop Agreement and assuming the exchange of all of the Exchangeable Shares, prior to completion of this offering there are 10,493,991 common shares in the capital of AuEx Ventures, Inc. outstanding; and after giving effect to this offering there will be

14,913,991 common shares in the capital of AuEx Ventures, Inc. outstanding. See “Options and Other Rights to Purchase Shares” for a description of the outstanding dilutive securities.

Common Shares

The holders of common shares are entitled to vote at all meetings of shareholders of the Company, to receive dividends if, as and when declared by the directors and, subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Company.

Preferred Shares

The preferred shares may be issued from time to time in one or more series, each series comprising the number of shares, designation, privileges, restrictions and conditions which the Board of Directors of the Company determines by resolution. On the liquidation, dissolution or winding-up of the Company or on any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the preferred shares rank prior to the common shares in respect of repayment of capital and, if applicable, dividends.

Special Voting Share

The holder of the Special Voting share is not entitled to dividends or to participate in any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in any distribution of assets of the Company among its shareholders for the purpose of winding up its affairs. The holder of the Special Voting share is entitled to receive notice of, attend and vote at all meetings of shareholder of the Company, all on the same basis and to the same extent as a holder of common shares of the Company. The number of votes attached to the Special Voting share as at any date is equal to the number of Exchangeable Shares outstanding on that date, subject to the adjustment described presently.

Under the securities laws of the United States, the Company is considered to be a “foreign private issuer,” as defined in the regulations of the U.S. Securities and Exchange Commission, because less than 50% of the voting shares of the Company are presently held by U.S. residents. The Company intends to retain that “foreign private issuer” status to the fullest lawful extent, and for that reason the voting rights attached to the Special Voting share will diminish to the extent that the percentage of the Company’s common shares are held by U.S. residents. As a result, the aggregate number of votes attached to the Special Voting share will be reduced if and to the extent that such reduction is required to ensure that the sum of the number of votes attached to the Special Voting share plus the number of votes attached to other outstanding voting securities of the Company held by residents of the U.S. is not more than 48% of the aggregate number of votes attached to the Company’s outstanding voting securities.

DIVIDEND RECORD AND POLICY

The Company has not paid any dividends since incorporation and it has no plans to pay dividends. The directors of the Company will determine if and when dividends should be declared and paid in the future based on the Company’s financial position at the relevant time.

OPTIONS AND OTHER RIGHTS TO PURCHASE SHARES

The Company’s 2004 Combined Incentive and Nonqualified Stock Option Plan (the “Option Plan”) was adopted by the Board of Directors as of November 2, 2004, and approved by the shareholders on November 12, 2004. The Option Plan enables the Company to better align the interests of its directors, management and employees with those of its shareholders and reduce the cash compensation the Company would otherwise have to pay.

The Option Plan provides for: (i) the grant to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) the grant to employees, directors, consultants or independent contractors of the Company of nonqualified stock options. The Option Plan

provides that it will be administered by the Board of Directors of the Company provided that the Board of Directors may delegate to a committee of the Board any or all authority for administration of the Plan. The administrator shall be constituted to comply with Section 16(b) of the Securities Exchange Act of 1934, as amended and other applicable laws. The administrator has the power to determine the terms of the options granted, including the exercise price, the number of shares subject to the option and the exercisability thereof. Options granted pursuant to the Option Plan are not transferable by the optionee, other than by will or the laws of descent and distribution, and are exercisable during the optionee's lifetime only by the optionee. The exercise price of incentive stock options granted under the Option Plan must be at least equal to the fair market value of the shares at the time of grant. With respect to any participant possessing more than 10% of the voting power of the Company's outstanding capital stock, the exercise price of any option granted must be at least equal to 110% of the fair market value on the date of grant and the maximum term of the option must not exceed five years. The terms of all other options granted under the Option Plan may not exceed ten years.

Pursuant to the Option Plan, upon exercise of any options granted thereunder the exercise price may be paid in cash or by exchanging common shares of the Company having a fair market value equal to the exercise price for the shares being acquired or by exchanging options for shares based on a formula reflecting the difference between the exercise price of the options being exchanged and the fair market value at the time of exercise of the common shares being acquired, the method of exercise to be selected by the Company.

In the event of any extraordinary transactions relating to the capital structure of the Company, such as a stock split, reverse stock split, stock dividend, combination or reclassification of common shares, the administrator may make such adjustments in the total number or price of common shares available for issuance under the Option Plan as it deems appropriate, subject to any required stockholder actions. In the event of a merger, consolidation or reorganization (other than a merger in which the holders of common shares in the Company immediately prior to the merger have the same proportionate ownership of common stock in the surviving corporation immediately after the merger) as a result of which the shareholders of the Company receive capital stock of another corporation in exchange for their common shares of the Company the Option Plan provides that if the successor corporation refuses to assume the outstanding options or to substitute equivalent options, then the outstanding options will terminate immediately prior to such merger, consolidation or reorganization provided each optionee shall have the right immediately prior to such merger to exercise his or her option in whole or in part. However, if the shareholders of the Company receive cash or other property in exchange for their common shares of the Company the outstanding options will also terminate immediately prior to such merger with each optionee having the right immediately prior to such merger, consolidation or reorganization to exercise his or her option in whole or in part.

The Board has the authority to amend or terminate the Option Plan, provided that no such action may impair the rights of the holder of any outstanding option without the written consent of any such holder, and provided further that certain amendments to the Option Plan are, by law, subject to stockholder approval. The Option Plan will terminate on November 2, 2014, unless terminated sooner by the Board.

The Option Plan is subject to receipt of regulatory approval, with such changes as may be required by such regulatory authorities, thus, to the extent the policies of the Exchange are more restrictive than the terms of the Option Plan, the Option Plan will be administered in accordance with the more restrictive policies and grants of options pursuant to the Option Plan must comply at all times with the policies of the Exchange.

As at November 15, 2004, the following table summarizes options, warrants and other rights to acquire common shares of the Company that will be outstanding with effect from completion of this offering and after giving effect to the completion of the Merger Agreement and the Pequop Agreement and assuming exchange for common shares of the Company of all Exchangeable Shares.

Category	Date of grant	Common Shares Issuable	Exercise price	Expiry date
Options held by all executive officers of the Company (2 individuals in the aggregate)	November 2, 2004	600,000 ⁽¹⁾	\$0.32	November 2, 2009
Options held by all directors of the Company who are not also executive officers (2 individuals in the aggregate)	November 2, 2004	200,000 ⁽²⁾	\$0.20	November 2, 2009
Options held by a director of AuEx, Inc.	November 2, 2004	50,000 ⁽²⁾	\$0.32	November 2, 2009
Options held by a Consultant	November 2, 2004	100,000 ⁽²⁾	\$0.32	November 2, 2009
Warrant held by the Agent	August 10, 2004	250,000 ⁽³⁾	\$0.20	The earlier of the first anniversary of completion of this offering Date and August 10, 2007
Agent's Option	Completion of this offering	400,000	\$0.40	First anniversary of completion of this offering
Eric M. Struhsacker	March 15, 2004	18,667 ⁽⁴⁾	\$0.30	N/A
Warrants to acquire Exchangeable Shares	Completion of this offering	457,159 ⁽⁵⁾⁽⁶⁾	See note 6	See note 6
TOTAL		<u>2,075,826</u>		

- (1) These options were granted pursuant to the Company's 2004 Combined Incentive and Nonqualified Stock Option Plan with effect from the date of completion of this offering and vest as to 1/3rd on completion of this offering and on the first and second anniversary date of the completion of this offering.
- (2) These options were granted pursuant to the Company's 2004 Combined Incentive and Nonqualified Stock Option Plan with effect from the date of grant and vest as to 1/3rd on the date of grant and on the first and second anniversary of the date of grant.
- (3) Issued pursuant to the Company's private placement on August 10, 2004.
- (4) Issuable pursuant to a Geological Consulting Agreement between AuEx, Inc. and Eric M. Struhsacker dated March 15, 2004, pursuant to which Mr. Struhsacker agreed to provide geological consulting services to AuEx, Inc. until December 31, 2004. Pursuant to the terms of the Agreement, compensation earned in excess of \$7,000 per month is payable by issuance of common shares of AuEx, Inc. at a price per share of \$0.30. These shares reflect Mr. Struhsacker's entitlement to October 31, 2004.
- (5) This number does not include up to an additional 500,000 common shares which are issuable in certain circumstances pursuant to the Pequop Agreement. See "Corporate Structure – Proposed Corporate Structure" and "Development of the Business of the Company – Proposed Significant Acquisition".
- (6) Issuable to pre-Merger holders of AuEx Warrants, each warrant entitling the holder to acquire one Exchangeable Share on the same terms on which such AuEx Warrant provided for the holder to purchase one common share of AuEx, Inc. See "Corporate Structure – Proposed Corporate Structure". 100,000 of the warrants entitle the holder to acquire 100,000 Exchangeable Shares at a price per share of \$0.138 and 90,000 of the warrants entitle the holder to acquire 90,000 Exchangeable Shares at a price per share of \$0.15, expiring on various dates from January 31, 2007 to February 28, 2008; and 267,159 of the warrants entitle the holders to acquire 267,159 Exchangeable Shares at a price per share of \$0.32 expiring on various dates from October 31, 2004 to February 28, 2005.

PRIOR SALES

The Company

The Company has issued the following common shares during the 12 months preceding the date of this prospectus:

<u>Date of issue</u>	<u>Common shares issued</u>	<u>Price per Common share</u>	<u>Purpose of issue</u>
May 13, 2004	1 ⁽¹⁾	\$0.20	Incorporation share ⁽¹⁾
August 10, 2004	2,800,000 ⁽²⁾	\$0.20	Private placement

(1) Repurchased by the Company on May 13, 2004.

(2) 300,000 of these shares were issued to Haywood Securities Inc. who acted as agent for the brokered private placement: 100,000 as an advisory fee and 200,000 in lieu of a cash commission.

AuEx, Inc.

AuEx, Inc. has issued the following common shares during the 12 months preceding the date of this prospectus:

<u>Date of issue</u>	<u>Common shares issued</u>	<u>Price per common share</u>	<u>Purpose of issue</u>
November 2003	263,333	\$0.12	Operating Agreement ⁽²⁾
November 2003	110,500	\$0.22	Private Placement
December 2003	57,000	\$0.22	Private Placement
January 2004	50,000	\$0.22	Private Placement
February 2004	1,016,666	\$0.12	Operating Agreement ⁽²⁾
February 2004	90,909	\$0.22	Private Placement
May 2004	293,333	\$0.15	Operating Agreement ⁽³⁾
August 10, 2004	2,500,000	\$0.20 ⁽¹⁾	See note 1 below
October 2004	45,500	\$0.32	Warrant exercise
November 2004	110,500	\$0.32	Warrant Exercise

(1) These shares were issued to AuEx Holdings, Inc. and paid for using the proceeds of the financing on the same date described in the table immediately above.

(2) These shares were issued to Mr. Kettell pursuant to his rights under the Operating Agreement. See “Other Material Facts”.

(3) These shares were issued to Messrs. Parratt and Bedell in partial satisfaction of accrued salary and pursuant to the Operating Agreement. See “Other Material Facts” and “Executive Compensation”.

ESCROWED SECURITIES

In accordance with the Canadian Securities Administrators National Policy 46-201 entitled “Escrow for Initial Public Offerings” (the “Policy”) and pursuant to an agreement dated *, 2004 (the “Escrow Agreement”) among the Company, Pacific Corporate Trust Company (as “Trustee”), Richard L. Bedell, Jr., Lee A. Graber, Ralph W. Kettell II, Dieter A. Krewedl and Ronald L. Parratt, the directors and senior officers of the Company, and Dave Straley, a director of AuEx, Inc. (together, the “Principals”), a total of 6,386,758 outstanding common shares and 1,040,000 common shares issuable upon exercise of rights to acquire such shares (collectively, the

“Escrowed Securities”) will be deposited into escrow with the Trustee as escrow agent on closing of this offering (upon issuance in the case of the 1,040,000 shares not then issued). See “Prior Sales”.

Designation of class	Number of escrowed securities	Percentage of class
Common shares outstanding	6,386,758 ⁽¹⁾	61.1%

(1) This information is after giving effect to completion of the Pequop Agreement and the Merger Agreement, and exchange for common shares of all Exchangeable Shares to be issued pursuant to the Merger Agreement and prior to completion of this offering. See “Corporate Structure – Proposed Corporate Structure”.

Under the Policy the Company is an “emerging issuer”, as a result of which the Escrowed Securities will be subject to a 36-month escrow. 10% of each Principal’s common shares will be exempt from escrow effective as of the date the Company’s common shares are listed on the Exchange (the “Listing Date”). The balance of the Escrowed Securities will be released in equal tranches at six-month intervals running from the Listing Date, with 15% of each Principal’s common shares released in each tranche.

Acquisition by the Principals of additional common shares and convertible securities that are acquired in relation to the Escrowed Securities must be placed in escrow by the holder. If a holder of the Escrowed Securities dies, the holder’s Escrowed Securities will be released from escrow.

The Escrowed Securities must not generally be transferred or otherwise dealt with while in escrow. Permitted transfers or dealings within escrow include: (i) transfers to continuing or, upon their appointment, incoming directors and senior officers of the Company or of a material operating subsidiary, with approval of the Company’s Board of Directors; (ii) transfer to a person or company that, before the proposed transfer, holds more than 20% of the voting rights attached to the Company’s outstanding securities; (iii) transfers to a person or company that, after the proposed transfer, will hold more than 10% of the voting rights attached to the Company’s common shares and has the right to elect or appoint one or more directors or senior officers of the Company or any of its material operating subsidiaries; (iv) transfers to a trustee in bankruptcy or another person or company entitled to escrow securities on the bankruptcy of the holder; (v) pledges to a financial institution on the realization of escrow securities pledged, mortgaged or charged by the holder to the financial institution as collateral for a loan; or (vi) transfers to an RRSP or similar trustee plan provided that the only beneficiaries are the transferor or the transferor’s spouse, children or parents.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of the Company, as of November 15, 2004 the only persons who beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the outstanding common shares of the Company are as follows:

Name	Type of ownership	Number of Common shares owned ⁽¹⁾	Percentage of Common shares prior to offering ⁽¹⁾	Number of Common shares owned after the offering ⁽¹⁾⁽⁵⁾	Percentage of Common shares after offering ⁽¹⁾⁽⁵⁾
Richard L. Bedell, Jr.	Direct/indirect ⁽³⁾	2,155,000 ⁽²⁾⁽³⁾⁽⁴⁾	20.6%	2,155,000 ⁽²⁾⁽³⁾	14.5%
Ronald L. Parratt	Direct	2,138,333 ⁽²⁾⁽⁴⁾	20.5%	2,138,333 ⁽²⁾	14.4%
Ralph W. Kettell II	Direct	1,583,333 ⁽²⁾	15.2%	1,583,333 ⁽²⁾	10.7%

(1) This information is after giving effect to completion of the Pequop Agreement and the Merger Agreement, and exchange for common shares of all Exchangeable Shares to be issued pursuant to the Merger Agreement. See “Corporate Structure – Proposed Corporate Structure”.

(2) These shares are subject to escrow restrictions (see “Escrowed Securities”). Ralph W. Kettell II, Richard L. Bedell, Jr. and Ronald L. Parratt (in each case a “Shareholder”) have entered into identical right of first refusal agreements with the

Agent in respect of the common shares of AuEx Ventures, Inc. (the “Shares”) acquired by the Shareholders on the exchange of Exchangeable Shares. Each of the Right of First Refusal Agreements provides that the Shareholder will not transfer any of his Shares without first offering them to the Agent. If the Shares are tradable on a stock exchange, the price at which they are offered must be the market price, and if they are not so tradable, the price must be the price at which the Shareholder is willing to sell them.

- (3) 155,000 of these shares are held indirectly through GeoCorp, a private company owned by Mr. Bedell.
- (4) A portion of these shares are subject to vesting in accordance with the Operating Agreement. See “Other Material Facts”.
- (5) Assuming no securities are purchased by this individual under this offering.

PLAN OF DISTRIBUTION

By an agency agreement (the “Agency Agreement”) dated *, 2004, the Company appointed the Agent to offer for sale 4,000,000 common shares at a price per share of \$0.40 in the provinces of British Columbia and Alberta. The price of the Offered Shares was determined through negotiation between the Company and the Agent.

Pursuant to the Agency Agreement, the Company has agreed that on completion of this offering it will issue to the Agent (i) 320,000 common shares representing a commission of 8.0% of the gross proceeds of this offering; and (ii) 100,000 common shares as an advisory fee; and grant to the Agent the Agent’s Option, entitling it to purchase up to 400,000 common shares at a price of \$0.40 per share until the first anniversary completion of this offering. This prospectus qualifies the issuance and grant of these securities. The Company has also granted the Agent a right of first refusal to provide future equity financing to the Company for a period of 12 months from the completion of this offering.

The Company is responsible for all reasonable out-of-pocket expenses incurred by the Agent in connection with this offering. As of the date hereof, the Company has paid the Agent a retainer of US\$11,400 to be applied by the Agent against these anticipated expenses.

The Company has applied to list the securities distributed under this prospectus on the Exchange. Listing will be subject to the Company fulfilling all the listing requirements of the Exchange. All subscription funds received will be returned to the subscribers by the Agent without interest, set-off or deduction if this offering is not fully subscribed within 90 days from the date a receipt is issued for the (final) prospectus, or such later date as the Company and the Agent may agree and the securities regulatory authorities may approve.

The obligations of the Agent under the Agency Agreement may be terminated at any time before the closing of this offering at the Agent’s discretion on the basis of the assessment of the state of the financial markets and may also be terminated at any time on the occurrence of certain stated events.

DIRECTORS AND OFFICERS

The following are the current directors and officers of the Company, their place of residence, their current positions with the Company, their principal occupations during the past five years and the number of common shares of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised.

Name, place of residence and position with Company	Present and principal occupation during the last five years	Date of appointment as director⁽²⁾	Voting securities beneficially owned⁽¹⁾
Ronald L. Parratt Reno, Nevada USA <i>Director, President, Chief Executive Officer and Promoter</i>	President of AuEx, Inc. since January 2003; Manager of Parratt Geological Services, a privately held consulting firm (March 2002 to January 2003); Exploration Manager, North America (June 1999 to February 2002) and Director of Exploration, Americas (June 1997 to June 1999) of Homestake Mining Company, a gold mining company that merged with Barrick Gold Corporation in 2001.	May 13, 2004	2,138,333

Name, place of residence and position with Company	Present and principal occupation during the last five years	Date of appointment as director ⁽²⁾	Voting securities beneficially owned ⁽¹⁾
Richard L. Bedell, Jr. Reno, Nevada USA <i>Director, Secretary, Vice President and Promoter</i>	Vice President of AuEx, Inc., since January 2003; owner/operator of GeoCorp, a privately held consulting firm, since December 2000; Senior Geologist (September 1993 to November 2000) of Homestake Mining Company, a gold mining company that merged with Barrick Gold Corporation in 2001.	May 13, 2004	2,155,000
Lee A. Graber⁽³⁾ San Rafael, California USA <i>Director</i>	Mining industry consultant since March 2002; Managing Director, Mergers and Acquisitions for Endeavour Financial Ltd., a company involved in investment banking (July 2002 to November 2003); Vice President, Corporate Development (January 1983 to February 2002) with Homestake Mining Company, a gold mining company that merged with Barrick Gold Corporation in 2001.	May 13, 2004	Nil
Ralph W. Kettell II⁽³⁾ Burtonsville, Maryland USA <i>Director and Promoter</i>	President of Concentric Energy Corp., a private energy resource company, since January 2004; Vice President of Lark Enterprises, Ltd., a company involved in radio systems development (September 1996 to December 2003).	May 13, 2004	1,583,333
Dieter A. Krewedl⁽³⁾ Reno, Nevada USA <i>Director</i>	Self-employed mining industry consultant since January 2004; Senior Vice President, Exploration of Coeur d'Alene Mines, a silver and gold producer with offices in Coeur d'Alene, Idaho (May 1998 to December 2003); Vice President, Exploration of Echo Bay Mines Ltd., a North American gold mining company (June 1996 to February 1998).	May 13, 2004	Nil

(1) This information is after giving effect to completion of the Merger Agreement and exchange for common shares of all Exchangeable Shares to be issued pursuant to the Merger Agreement. See "Corporate Structure – Proposed Corporate Structure".

(2) Each director has been elected for a term that expires on the date of the Company's first annual general meeting or until such director is removed or resigns.

(3) Member of the Audit Committee.

The information with respect to the shareholdings of the directors has been furnished by the respective directors. The Company does not currently have an Executive Committee of the Board of Directors.

As of the date of this prospectus, the directors, officers and promoters of the Company, as a group, own, directly or indirectly, 5,876,666 common shares of the Company representing 56.2% of the outstanding common shares and 39.5% of the common shares after giving effect to this offering. Both percentages are calculated after giving effect to completion of Pequop Agreement and the Merger Agreement, and exchange for common shares of all Exchangeable Shares to be issued pursuant to the Merger Agreement. See "Corporate Structure – Proposed Corporate Structure".

None of the above individuals have entered into non-competition or non-disclosure agreements with the Company. Messrs. Parratt and Bedell have agreed to non-disclosure of confidential information pursuant to the

terms of their respective Executive Employment Agreements. See “Executive Compensation – Termination of Employment, Change in Responsibilities and Employment Contracts”.

Management

Ronald L. Parratt – President, Chief Executive Officer, Promoter and Director. (Age: 56)

Mr. Parratt is a certified professional geologist with the American Institute of Professional Geologists (since 1989), a registered geologist in California (since 1976) and a professional geologist in Wyoming (since 1998), having graduated from Purdue University, W. Lafayette, Indiana with a Bachelor of Science degree in geochemistry (1970) and a Master of Science degree in Economic Geology (1975). He is a Fellow of the Society of Economic Geologists, a member of the Society for Mining, Metallurgy and Exploration, a member of the Northwest Mining Association and a member of the Geological Society of Nevada. Mr. Parratt has served on the State of Nevada, Commission on Mineral Resources since 1991 and is currently its Vice Chairman. From February 1978 to May 1997, Mr. Parratt was employed, initially as Senior Geologist rising to Vice President, Exploration, by Santa Fe Pacific Gold of Albuquerque, New Mexico, a company involved in mineral exploration and development internationally, then trading on the New York Stock Exchange. Santa Fe merged with Newmont Mining Corporation in 1997. Mr. Parratt was the Director of Exploration, Americas (June 1997 to June 1999) and the Exploration Manager, North America (June 1999 to February 2002) for Homestake Mining Company of Sparks, Nevada, a gold mining company then trading on the New York Stock Exchange with interests in North and South America and Australia. Homestake Mining merged with Barrick Gold Corporation in 2001. From March 2002 to January 2003, Mr. Parratt managed Parratt Geological Services, a private geological consulting company. Since January 2003, Mr. Parratt has been the President of AuEx, Inc. Mr. Parratt is a director of Golden Phoenix Minerals, Inc. (since July 2002), a company based in Reno, Nevada and involved in exploration and development of precious and base metals in the western United States and Alaska, the shares of which trade on the Nasdaq OTC Bulletin Board.

As President and Chief Executive Officer of the Company, working jointly with Mr. Bedell, Mr. Parratt is responsible for management of the affairs of the Company, reporting directly to the Company’s Board of Directors. Mr. Parratt intends to devote approximately 100% of his working time to the affairs of the Company.

Richard L. Bedell, Jr. – Secretary, Vice President, Promoter and Director (Age: 49)

Mr. Bedell graduated from The School of Natural Sciences & Mathematics, Hampshire College with a B.A. degree in 1979, earned a Master of Science from the University of Toronto in Ontario in 1985, and a Master of Science from the University of London, United Kingdom in 1986. Mr. Bedell is a Fellow with the Society of Economic Geologists. From September 1993 to November 2000, Mr. Bedell was a Senior Geologist with Homestake Mining Company of Sparks, Nevada, a gold mining company then trading on the New York Stock Exchange with interests in North and South America and Australia. Homestake Mining merged with Barrick Gold Corporation in 2001. Since December 2000, Mr. Bedell has provided geological consulting services to the mining industry through his private company, GeoCorp in Reno, Nevada and held an adjunct faculty position in Exploration Geophysics at the Mackay School of Earth Sciences & Engineering. Since January 2003, Mr. Bedell has been the Vice President of AuEx, Inc.

As Vice President and Secretary of the Company, working jointly with Mr. Parratt, Mr. Bedell is responsible for management of the affairs of the Company, reporting directly to the Company’s Board of Directors. Mr. Bedell intends to devote approximately 100% of his working time to the affairs of the Company.

Lee A. Graber – Director (Age: 57)

Mr. Graber is a graduate of the University of Colorado with a Bachelor of Science (1969) and a Master of Arts (1970). From January 1983 to February 2002, Mr. Graber was the Vice President, Corporate Development with Homestake Mining Company of Walnut Creek, California, a gold mining company then trading on the New York Stock Exchange with interests in North and South America and Australia. Homestake Mining merged with Barrick Gold Corporation in 2001. From July 2002 to November 2003, Mr. Graber was the Managing Director Mergers & Acquisitions for Endeavour Financial Ltd. of George Town, Grand Cayman, British West Indies, a company involved in investment banking. Mr. Graber is currently a mining industry consultant (since March 2002). From May 1998 to September 1999, Mr. Graber was a director of Lachlan Resources, a company involved in mineral exploration and development and whose shares traded on the Australian Stock Exchange. Mr. Graber is currently a director (since May 2002) of Asia Pacific Resources, an exploration stage company trading on the Toronto Stock Exchange, involved in exploration and development of its interests in potash deposits in North East Thailand; and a director (since November 2002) of Chaco Resources PLC (formerly Gold Mines of Sardinia, PLC), a company now involved in oil and gas exploration in Paraguay and whose shares trade on London-based Alternative Investment Market. In May 2004, Mr. Graber was appointed a director of Scorpio Mining Corporation, a precious and base metals exploration company that conducts exploration and development on mining properties in Canada and Mexico and trades on the TSX Venture Exchange; and Tenke Mining Corporation, a mineral exploration and development company, trading on the Toronto Stock Exchange, that has staked and acquired exploration properties in Argentina. Mr. Graber intends to devote approximately 5% of his working time to the affairs of the Company.

Ralph W. Kettell II – Promoter and Director (Age: 45)

Mr. Kettell is a professional engineer registered in New York State since 1985, having graduated from Lehigh University in Bethlehem, Pennsylvania in 1982 with a B.Sc. in Electrical Engineering in 1980 and a Master of Science in Electrical Engineering in 1982. In January 2004, Mr. Kettell founded and is the President of Concentric Energy Corp., a private company focused on uranium and other non-precious metals. From September 1996 to December 2003, Mr. Kettell was the Vice President of Engineering with Lark Enterprises, Ltd. in Burtonsville, Maryland, a company involved in the design of radio systems for military and space applications. Mr. Kettell has significant experience in real estate investment and was founding partner in Nevada Sunrise, LLC, a private Nevada exploration company. Since September 2004, Mr. Kettell has been a director of Piedmont Mining Company, Inc., which trades on the OTC Bulletin Board. Mr. Kettell intends to devote approximately 10% of his working time to the affairs of the Company.

Dieter A. Krewedl – Director (Age: 61)

Dr. Krewedl has a Ph.D. in geology from the University of Arizona, Tucson (1973) and a B.Sc. degree in geology (1965) and a Master of Arts degree in geology (1967) from Bowling Green State University in Bowling Green, Ohio (1967). He is a member of the Society of Economic Geology (since 1985), the Society for Mining, Metal and Exploration (since 1980) and the Geological Society of Nevada (since 1989). From June 1996 to February 1998, Dr. Krewedl was the Vice President, Exploration for Echo Bay Mines Ltd., a North American gold mining company (then trading on the American Stock Exchange) and now a wholly-owned subsidiary of Kinross Gold Corporation which mines, processes and explores primarily for gold. From May 1998 to December 2003, Dr. Krewedl was the Senior Vice President, Exploration for Coeur d'Alene Mines Corporation of Coeur d'Alene, Idaho, a company involved in silver and gold production in North and South America. Since January 2004, Dr. Krewedl has been self-employed as a mining industry consultant. Dr. Krewedl was a director of Yamana Resources Inc. (now Yamana Gold Inc.) from January 2003 to April 2003, a mineral exploration and development company with gold properties in South America and whose shares trade on the Toronto Stock Exchange. Dr. Krewedl is currently a director of Kilgore Minerals, Ltd. (since March 2004), a development stage company engaged in the acquisition of natural resource properties for exploration and development and whose shares trade on the Exchange. Dr. Krewedl intends to devote approximately 10% of his working time to the affairs of the Company.

Conflicts of Interest

Some of the directors and officers of the Company are directors and officers of other companies, some of which are in the same business as the Company. Some of the Company's directors and officers will continue to pursue the acquisition, exploration and, if warranted, the development of mineral resource properties on their own behalf and on behalf of other companies, and situations may arise where they will be in direct competition with the Company. The Company's directors and officers are required by law to act in the best interests of the Company. They may have the same obligations to the other companies in respect of which they act as directors and officers. Discharge of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

Indemnity

Subject to the *Business Corporations Act* (British Columbia), the Company's Articles provide that the Company must indemnify its directors and officers and their heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of a legal proceeding or investigative action, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. In addition, the Company has entered into indemnification agreements with its current directors and officers containing provisions which may require the Company, among other things, to indemnify such officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers (other than liabilities arising from willful misconduct of a culpable nature), to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified, and to obtain directors and officers' insurance if it is practicable to do so. The Company intends to obtain officer and director liability insurance with respect to liabilities arising out of certain matters, including matters arising under securities legislation.

At present, there is no pending litigation or proceeding involving any director or officer, employee or agent of the Company where indemnification will be required or permitted. The Company is not aware of any threatened litigation or proceeding which may result in a claim for such indemnification.

EXECUTIVE COMPENSATION

Ronald L. Parratt has been the President of the Company since its incorporation on May 10, 2004, and no other person has served as the Company's chief executive officer, no person has served as the Company's chief financial officer, and the Company has no other executive officers whose total salary and bonus exceeded CDN\$150,000 for any fiscal period. As such, Mr. Parratt is the only "Named Executive Officer" of the Company as defined under applicable securities laws. Since assuming the role of President, Mr. Parratt has received no compensation from the Company for his services as such.

Mr. Parratt has been the President of AuEx, Inc. and Richard L. Bedell, Jr. has been the Vice-President of AuEx, Inc. since its creation on January 16, 2003, and both Messrs. Parratt and Bedell have received compensation from AuEx, Inc. The following table sets out all compensation paid to Messrs. Parratt and Bedell by AuEx, Inc. during its 2003 and 2004 financial years.

Summary Compensation Table

Name and Principal Position	Fiscal Year Ended June 30	Annual Compensation			Long Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	All Other Compensation (\$)
Ronald L. Parratt <i>President</i>	2004	95,166 ⁽²⁾	Nil	Nil	Nil	Nil	Nil	120,000 ⁽⁶⁾
	2003 ⁽¹⁾	40,875 ⁽³⁾	Nil	Nil	Nil	Nil	Nil	60,000 ⁽⁶⁾
Richard L. Bedell <i>Vice President</i>	2004	100,749 ⁽⁴⁾	Nil	Nil	Nil	Nil	Nil	120,000 ⁽⁶⁾
	2003 ⁽¹⁾	47,125 ⁽⁵⁾	Nil	Nil	Nil	Nil	Nil	60,000 ⁽⁶⁾

(1) Fiscal 2003 ran from the incorporation of AuEx, Inc. on January 16, 2003 until June 30, 2003.

(2) \$79,916 of this amount was paid in cash, \$11,000 was paid by issuance of common shares of AuEx, Inc. at a price per share of \$0.15, and \$4,250 remains unpaid.

(3) \$31,125 of this amount was paid in cash and \$9,750 was paid by issuance of common shares of AuEx, Inc. at a price per share of \$0.15.

(4) \$83,749 of this amount was paid in cash, \$15,000 was paid by issuance of common shares of AuEx, Inc. at a price per share of \$0.15, and \$2,000 remains unpaid. The shares were issued to GeoCorp, a private company owned by Mr. Bedell.

(5) \$38,875 of this amount was paid in cash and \$8,250 was paid by issuance of common shares of AuEx, Inc. at a price per share of \$0.15. The shares were issued to GeoCorp, a private company owned by Mr. Bedell.

(6) These amounts were paid to Messrs. Parratt and Bedell by the issuance of shares pursuant to the Operating Agreement under which AuEx, Inc. was created. Under that Operating Agreement, Messrs. Parratt and Bedell each subscribed for 2,000,000 common shares of AuEx, Inc. (See “Other Material Facts” for a description of the particulars of the Operating Agreement.) The consideration for the issuance of these shares consisted principally of property that Messrs. Parratt and Bedell made available to AuEx, Inc. Under the Operating Agreement, AuEx, Inc. had a right (the “Right”) as against each of Messrs. Parratt and Bedell to cancel a portion of these shares if they ceased providing services to AuEx, Inc. prior to December 31, 2004. The Right lapsed over time, and as it did, the number of shares in respect of which it lapsed were said to have vested. The financial statements of AuEx, Inc. have been prepared on the basis that each lapse constitutes a notional issuance for services of the shares to which the lapse relates, that the value of the shares so issued is their fair value at the date of such issuance and that such value is recorded as an expense to AuEx, Inc. that is capitalized as mineral property costs. See note 6(d) to the financial statements of AuEx, Inc.

Options and Stock Appreciation Rights

No stock options were granted to either Mr. Parratt or Mr. Bedell by the Company or by AuEx, Inc. and no stock options were exercised by Messrs. Parratt and Bedell during the most recently completed financial year ended June 30, 2004, and no options were outstanding at the financial year ended June 30, 2004.

Termination of Employment, Change in Responsibilities and Employment Contracts

AuEx, Inc. entered into an Executive Employment Agreement with Ronald L. Parratt dated March 1, 2004 pursuant to which Mr. Parratt agreed to act as AuEx, Inc.’s President and Chief Executive Officer at a fixed remuneration of US\$8,333 per month. Under the Agreement Mr. Parratt is entitled to 20 days paid vacation per year, an automobile allowance of \$0.45 per mile for the use of his personal vehicle for valid company business and to participate in any benefit plans provided by AuEx, Inc. to its employees. Mr. Parratt’s appointment under the Agreement shall continue on a yearly basis with an annual review by the board of directors of AuEx, Inc. or

until terminated. The Agreement may be terminated by Mr. Parratt on giving AuEx, Inc. three months' written notice, provided that AuEx, Inc. may waive such notice in which case Mr. Parratt's employment will terminate upon AuEx, Inc. giving such waiver. The Agreement may also be terminated by AuEx, Inc. for cause without notice and without cause on six months prior notice, or pay in lieu of notice. Mr. Parratt has agreed that he will not, during the term of the Agreement and for 12 months following termination of his employment, hire or take away or cause to be hired or taken away any employee of AuEx, Inc. Mr. Parratt also acknowledges in the Agreement that he will not, during the term of the Agreement or after the termination of his employment, disclose to any third party any confidential information about AuEx, Inc. which he may acquire during the his employment with AuEx, Inc., except with the written permission of an officer of AuEx, Inc. AuEx, Inc. acknowledges in the Agreement that although Mr. Parratt is to devote his full time and attention to AuEx, Inc. and shall not acquire any mineral exploration interest in any property other than for AuEx, Inc., he may continue as a director of Golden Phoenix Minerals, Inc. (a publicly listed junior mineral exploration company) and he may continue to hold the mineral exploration interests set forth in the Agreement. Those interests include a 0.5% NSR held by him in the Company's Buffalo Canyon property and a 0.1% NSR in each of the Company's Pasco and Leonid properties (see "Other Properties"), and a 20% interest in 10 unpatented mining claims on property referred to as Jersey Canyon under lease to Geologic (US), Inc., all of which are held by held by Mr. Parratt through Parratt Geological Services, LLC.

AuEx, Inc. entered into an Executive Employment Agreement with Richard L. Bedell, Jr. dated May 1, 2004 pursuant to which Mr. Bedell agreed to act as AuEx Inc.'s Vice-President and Secretary at a fixed remuneration of US\$8,333 per month. Under the Agreement Mr. Bedell is entitled to 20 days paid vacation per year, an automobile allowance of \$0.45 per mile for the use of his personal vehicle for valid company business and to participate in any benefit plans provided by AuEx, Inc. to its employees. Mr. Bedell's appointment under the Agreement shall continue on a yearly basis with an annual review by the board of directors of AuEx, Inc. or until terminated. The Agreement may be terminated by Mr. Bedell on giving AuEx, Inc. three months' written notice, but AuEx, Inc. may waive such notice in which case Mr. Bedell's employment will terminate upon AuEx, Inc. giving such waiver. The Agreement may also be terminated by AuEx, Inc. for cause without notice and without cause on six months prior notice, or pay in lieu of notice. Mr. Bedell has agreed that he will not, during the term of the Agreement and for 12 months following termination of his employment, hire or take away or cause to be hired or taken away any employee of AuEx, Inc. Mr. Bedell also acknowledges in the Agreement that he will not, during the term of the Agreement or after the termination of his employment, disclose to any third party any confidential information about AuEx, Inc. which he may acquire during the his employment with AuEx, Inc., except with the written permission of an officer of AuEx, Inc. The Agreement provides that Mr. Bedell is to devote his full time and attention to AuEx, Inc. and that although he shall not acquire any mineral exploration interest in any property other than for AuEx, Inc., he may continue to hold the mineral exploration interests set forth in the Agreement. Those interests include a 0.5% NSR held by him in the Company's Buffalo Canyon property and a 0.9% NSR in the Company's Pasco and Leonid properties (see "Other Properties"), as well as an 80% interest in 10 unpatented mining claims on property referred to as Jersey Canyon under lease to Geologic (US), Inc. and a 50% interest in property described as Monitor Belt. Individual claim groups in Monitor Belt include the Rose Mine block of claims which is leased to Concentric Energy which is owned and operated by Ralph Kettell, and the Juniper, Gold Ace, Danville, Green Monster and King Solomon claims which are leased to Electrum Resources LLC. Mr. Bedell's interests in such properties are held by him through GeoCorp, a Nevada corporation.

Compensation of Directors

No compensation has been paid, awarded or granted by the Company to the directors for their services as directors as at the date of this prospectus, nor are there any arrangements for any such compensation to be paid. Pursuant to the Company's Articles, directors are entitled to remuneration for acting as directors, as the directors may from time to time decide, and are entitled to be reimbursed for reasonable expenses they may incur in and about the business of the Company. Effective upon completion of this offering, each non-executive director will

be paid \$500 for each meeting of the directors attended, such amount to be paid, at the election of the each director, in cash or in common shares at a price per share equal to the closing price per Common Share on the Exchange on the trading day immediately preceding the meeting. These shares will be issued every December 31. The directors may also be granted options under the Company's Stock Option Plan. See "Options and Other Rights to Purchase Shares".

RISK FACTORS

An investment in the Offered Shares offered hereunder is highly speculative and involves a number of significant risk factors. **These securities are suitable only for those purchasers who are willing to rely upon the ability, judgement and integrity of the management and directors of the Company and who can afford a total loss of their investment.** Each purchaser should carefully consider the following risk factors, many of which are inherent in the ownership of securities of a junior resource corporation.

Nature of Mineral Exploration and Mining

There is no known mineral resource on any of the Company's properties. Development of a property will occur only if satisfactory exploration results are obtained. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is, therefore, no assurance that the Company's mineral exploration and development activities will result in any discoveries of bodies of commercial ore. 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 out of the Company's control.

Substantial expenditures are required to establish reserves through drilling and, if warranted, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations, or at all, or that the funds required for development can be obtained on a timely basis. Mineral exploration is subject to a high degree of risk, which even a combination of experience, knowledge, and careful evaluation may not be able to overcome.

Exploration and Development Risks

Mineral exploration and mining involve considerable financial and technical risk. Substantial expenditures are usually required to establish ore reserves, to evaluate metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to assure that the current exploration programs planned by the Company will result in profitable commercial mining operations, as few properties that are explored are ultimately developed into producing mines. Unusual or unexpected geological formations, unstable ground conditions that could result in cave-ins or land slides, floods, environmental pollution, power outages or fuel shortages, labour disruptions, fires, explosions, personal injuries and the inability to obtain suitable or adequate machinery, equipment or labour are risks associated with the conduct of exploration programs and the operation of mines.

Mineral Deposits and Production Costs; Metal Prices

The economics of developing mineral deposits are affected by many factors including variations in the grade of ore mined, the cost of operations, and fluctuations in the sales price of products. The value of the Company's mineral properties is heavily influenced by metal prices. Metal prices can and do change by substantial amounts over short periods of time, and are affected by numerous factors beyond the control of the Company, including changes in the level of supply and demand, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production arising from improved mining and production methods and new discoveries. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Company's properties can be mined profitably.

Depending on the price received for minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

The grade of any ore ultimately mined from a mineral deposit may differ from that predicted from drilling results. Production volumes and costs can be affected by such factors as the proximity and capacity of processing facilities, permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short-term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on the results of operations. Moreover, there can be no assurance that any gold or other minerals recovered in small-scale laboratory tests will be achieved under production scale conditions. Although precautions to minimize risks will be taken, processing operations are subject to hazards such as equipment failure or failure of tailings impoundment facilities, which may result in environmental pollution and consequent liability.

Additional Financing

The Company will require additional financing to continue its operations. There can be no assurance that such financing will be available at all or on favourable terms. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's exploration and development programs, resulting in the possible dilution or loss of mineral property interests. Any such financing will dilute the ownership interest of the Company's shareholders at the time of the financing, and may dilute the value of their shareholdings.

Limited Business History

The Company has only recently commenced operations and has no history of operating earnings. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. The Company has limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfil its obligations under applicable agreements. There is no assurance that the Company can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

Permits and Licenses

The operations of the Company will require licenses and permits from various governmental and non-governmental authorities. The Company has obtained, or will obtain, all necessary licenses and permits required to carry on with activities that it is currently conducting or which it proposes to conduct under applicable laws and regulations. However, such licenses and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its proposed projects.

Other Regulatory Requirements

The operations of the Company are subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. The Company believes it is in substantial compliance with all material laws and regulations that currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations, particularly environmental permits, will be obtainable on reasonable terms or that compliance with such laws and regulations would not have an adverse effect on the profitability of any mining project that the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or

damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Environmental Controls

The Company is required to comply with numerous environmental laws and regulations imposed by federal and state authorities. At the federal level, legislation imposes effluent and waste standards, performance standards, air quality and emissions standards and other design or operational requirements for various components of mining and mineral processing, including exploration, gold ore mining and processing. In 2001, the Bureau of Land Management amended its surface management regulations to require bonding of all hard rock and exploration operations. There is not sufficient basis at this time, however, to predict the potential impacts of such regulations on the Company's exploration activities.

Many states, including the state of Nevada where the Company's properties are located, have also adopted regulations that establish design, operation, monitoring, and closing requirements for exploration and mining operations. Under these regulations, companies are required to provide a reclamation plan and financial assurance to insure that the reclamation plan is implemented upon completion of exploration and mining operations. Additionally, Nevada and other states require exploration and mining operations to obtain and comply with environmental permits, including permits regarding air emissions and the protection of surface water and groundwater.

The Company's compliance with federal and state environmental laws may necessitate significant capital outlays or delays, may materially and adversely affect the economics of a given property, or may cause material changes or delays in the Company's intended exploration and development activities. Further, new or different environmental standards imposed by governmental authorities in the future could adversely affect the Company's business activities.

Unknown Environmental Risks for Past Activities

Exploration and mining operations involve a potential risk of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. In recent years, regulatory requirements and improved technology have significantly reduced those risks. However, those risks have not been eliminated, and the risk of environmental contamination from present and past exploration or mining activities exists for mining companies. Companies may be liable for environmental contamination and natural resource damages relating to properties that they currently own or operate or at which environmental contamination occurred while or before they owned or operated the properties. However, no assurance can be given that potential liabilities for such contamination or damages caused by past activities at these properties do not exist.

Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental regulations, labour relations, repatriation of income and return of capital. This may affect both the Company's ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Proposed Legislation Affecting the Mining Industry

During the past several years, the United States Congress considered a number of proposed amendments to the General Mining Law of 1872, as amended (the “General Mining Law”), which governs mining claims and related activities on federal lands. A holding fee of US\$125 per claim is required for unpatented mining claims located on federal lands. Beginning in October 1994, a moratorium on processing of new patent applications was approved. In addition, a variety of legislation is now pending before the United States Congress to amend further the General Mining Law. The proposed legislation would, among other things, change the current patenting procedures, limit the rights obtained in a patent, impose royalties on unpatented claims, and enact new reclamation, environmental controls and restoration requirements. The royalty proposals range from a two percent royalty on “net profits” from mining claims to an eight percent royalty on modified gross income/net smelter returns. The extent of any such changes that may be enacted is not presently known, and the potential impact on the Company as a result of future congressional action is difficult to predict. If enacted, the proposed legislation could adversely affect the economics of exploration and development of operating mines on the federal unpatented mining claims held by the Company because many of the Company’s properties consist of unpatented mining claims on federal lands. The Company’s financial performance could therefore be materially and adversely affected by passage of all or pertinent parts of the proposed legislation.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competition in acquiring such properties or prospects.

During the period from 1997 to 2002, the decline in the price of gold and subsequently in the amount of exploration activity caused thousands of mining claims in Nevada to be dropped. As a result, a substantial amount of prospective mineral exploration property became open for location and acquisition. For similar reasons, the number of companies aggressively acquiring claims and properties declined during this same period. As the price of gold increases however, the amount of new exploration activity is increasing as well as the number of new exploration companies. This will lead to more competition and will make it more difficult for the Company to acquire good quality projects.

No Assurance of Title to Property

The Company has conducted title searches of the Pequop Property and, to the best of its knowledge, title to the property is in good standing. This should not, however, be construed as a guarantee of title. The Company’s claims may be subject to prior unregistered agreements or transfers or third party claims, and title may be affected by undetected defects. Furthermore, there is no assurance that the interests of the Company in any of its properties may not be challenged or impugned.

At present, most of the Company’s properties consist of unpatented mining claims and land, which the Company owns or leases. These claims are located on federal land or involve mineral rights that are subject to the claims procedures established by the General Mining Law. Under this law, if a claimant complies with the statute and the regulations for the location of a mining claim or mill site claim, the claimant obtains a valid possessory right to the land or the minerals contained therein. To preserve an otherwise valid claim, the claimant must also make certain additional filings with the county in which the land or mineral is situated and with the Bureau of Land Management. Annual fees include US\$125 per claim to the Bureau of Land Management and US\$8.50 per claim to the applicable county. If a claimant fails to make the annual holding payment or make the required filings, the mining claim is void or voidable.

Because mining claims are self-initiated and self-maintained rights, they are subject to unique vulnerabilities not associated with other types of property interests. It is difficult to ascertain the validity of unpatented mining claims from public property records and, therefore, it is difficult to confirm that a claimant has followed all of the requisite steps for the initiation and maintenance of a claim. The General Mining Law requires the discovery of a valuable mineral on each mining claim in order for such claim to be valid, and rival mining claimants and the United States may challenge mining claims. Under judicial interpretations of the rule of discovery, the mining claimant has the burden of proving that the mineral found is of such quality and quantity as to justify further development, and that the deposit is of such value that it can be mined, removed and disposed of at a profit. The burden of showing that there is a present profitable market applies not only to the time when the claim was located, but also to the time when such claim's validity is challenged. It is therefore conceivable that, during times of falling metal prices, claims that were valid when they were located could become invalid if challenged.

Title to unpatented claims and other mining properties in the western United States typically involves certain other inherent risks due to the frequently ambiguous conveyance history of those properties, as well as the frequently ambiguous or imprecise language of mining leases, agreements and royalty obligations. No generally applicable title insurance is available for mining. As a result, some of the titles to the Company's properties may be subject to challenge.

Dependence on Key Individuals

The Company is dependent on a relatively small number of key personnel, particularly Ronald Parratt, its President, and Richard Bedell, its Vice President, the loss of any one of whom could have an adverse effect on the Company. The Company does not maintain key-person insurance on the lives of any of its key personnel. In addition, while certain of the Company's officers and directors have experience in the exploration of mineral producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

Enforceability of Claims

The Company is organized under the laws of British Columbia. Its principal office is located at 940 Matley Lane, Suite 17, Reno, Nevada 89502, and all of its directors and senior officers reside in the United States where substantially all of their assets, and those of the Company, are located. The Company and its promoters have appointed Getz Prince Wells, Barristers and Solicitors, Suite 1810 – 1111 West Georgia Street, Vancouver, British Columbia V6E 4M3 as their agent for service of process in British Columbia. It may not be possible for Canadian purchasers of Offered Shares in this offering to effect service of process within Canada upon the directors and officers who reside in the United States. It may also not be possible to enforce against the Company or its directors and officers who reside in the United States judgments obtained in Canadian courts predicated upon the civil liability provisions of the securities laws of British Columbia or Alberta.

Conflicts of Interest

Some of the directors and officers of the Company are directors and officers of other companies, some of which are in the same business as the Company. Some of the Company's directors and officers will continue to pursue the acquisition, exploration and, if warranted, the development of mineral resource properties on their own behalf and on behalf of other companies, and situations may arise where they will be in direct competition with the Company. The Company's directors and officers are required by law to act in the best interests of the Company. They may have the same obligations to the other companies in respect of which they act as directors and officers. Discharge of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests

of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

Insurance

The Company does have comprehensive general liability insurance to adequately protect itself against certain risks commonly associated with mineral exploration. Even with insurance, the Company will remain at risk and will be potentially subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of premium costs or other reasons.

Influence of Third Party Stakeholders

The lands in which the Company holds an interest, or the exploration equipment and road or other means of access which the Company intends to utilize in carrying out its work programs or general business mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, the Company's work programs may be delayed even if such claims are not meritorious. Such delays may result in significant financial loss and loss of opportunity for the Company.

Fluctuation in Market Value of the Company's Common Shares

There is currently no market for the Company's common shares and there can be no assurance that an active market will develop or be sustained after this offering. The lack of an active public market could have a material adverse effect on the price of the Company's common shares. This offering should be considered highly speculative due to the fact that the Company was only recently incorporated. The price of these securities to the public and the commission to the Agent was established by negotiation between the Company and the Agent, and may not be indicative of fair market value or future market prices.

The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the Company, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the Company's common shares on the Exchange in the future cannot be predicted.

Substantial Number of Authorized but Unissued Shares

The Company has an unlimited number of common shares which may be issued by the Board of Directors without further action or approval of the Company's shareholders. Further, the Company has an authorized class of preferred shares issuable in series, each series of which the Board of Directors may create and issue with such rights and restrictions as the Board of Directors may approve, without further action or approval of the Company's shareholders. While the Board of Directors is required to fulfil its fiduciary obligations in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

RELATIONSHIP BETWEEN THE COMPANY AND THE AGENT

The Company is a "related issuer" of the Agent for the purposes of National Instrument 33-105 – Underwriting Conflicts because the Agent and its employees, partners, officers, directors and affiliates, as a group (the "Pro Group"), own approximately 40% of the outstanding common shares of the Company as at the date of this prospectus. An application for an exemption from the requirement under National Instrument 33-105 that an independent underwriter participate in this offering has been submitted to the British Columbia Securities Commission and the Alberta Securities Commission, but a determination on whether to grant the exemption sought has not yet been communicated to the Company.

In early March 2004, the Agent and AuEx, Inc. entered into an agreement (the "Original Agreement") pursuant to which two things would happen. First, the Agent would act as agent to raise US\$500,000 by way of private placement (the "Private Placement"), as a result of which the subscribers to that placement would

collectively own 25% (the “Share Position”) of the outstanding shares of AuEx, Inc. after giving effect to the placement. Second, the Agent would act as agent for a “best efforts” initial public offering (the “IPO”) of AuEx, Inc. in British Columbia and Alberta. Subsequently, AuEx, Inc. created Holdings and the Company with a view to AuEx, Inc. conducting its initial public offering indirectly through the Company. In that connection Holdings and AuEx, Inc. entered into the Merger Agreement (see “Corporate Structure – Proposed Corporate Structure”) and the parties orally agreed that the Private Placement would be conducted by the Company which would use the proceeds from that Private Placement to purchase, indirectly, the Share Position. The Private Placement and acquisition of the Share Position completed on August 10, 2004. Following completion of those transactions, modifications to the terms of the IPO as contained in the Original Agreement have been negotiated by AuEx, Inc. (on behalf of the Company) with the Agent.

If the terms of the Original Agreement had been implemented, with the result that AuEx, Inc. would have conducted this offering directly rather than through the Company, the Pro Group would hold approximately 10% of the outstanding shares of AuEx, Inc. and AuEx, Inc. would not be a related issuer of the Agent. The fact that AuEx, Inc. is conducting this offering indirectly, through the Company has not substantively increased the influence of the Agent over the decision to proceed with this offering, its pricing or any other aspect of this offering beyond the level of influence the Agent would have had if its Pro Group owned only 10% of the outstanding shares of the Company.

PROMOTERS

Ronald L. Parratt, the President and a director of the Company, Richard L. Bedell, Jr., the Secretary, Vice President and a director of the Company, and Ralph W. Kettell II, a director of the Company took the initiative in organizing the Company and are therefore deemed to each be a “promoter” within the meaning of the *Securities Act* (British Columbia). Mr. Parratt owns 2,138,333 common shares of the Company and options to acquire 300,000 common shares; Mr. Bedell owns, directly and indirectly, 2,155,000 common shares of the Company and options to acquire 300,000 common shares; and Mr. Kettell owns 1,583,333 common shares of the Company and options to acquire 190,000 common shares. Messrs. Parratt, Bedell and Kettell have received and are entitled to receive nothing of value from the Company except for the common shares and options described above, pursuant to the Operating Agreement described below and, in the case of Messrs. Parratt and Bedell, amounts under their respective employment agreements, and in the case of Mr. Kettell, the fees payable to all non-executive directors of the Company. See “Executive Compensation - Termination of Employment, Change in Responsibilities and Employment Contracts”, “Compensation of Directors” and “Other Material Facts”.

In addition, Messrs. Parratt and Bedell received consideration in connection with the following transactions, further particulars of which can be found under the heading “Other Properties”:

- The Company acquired the Buffalo Canyon property pursuant to an Unpatented Lode Claim Purchase Agreement between Parellex, LLC and AuEx, Inc. for a purchase price of \$5,000 and a 1% NSR from any future production from the Buffalo Canyon property. Parellex, LLC is wholly owned, indirectly, by Messrs. Parratt and Bedell, and they each hold a 50% interest in the NSR.
- The Company acquired 34 of the 76 claims comprising the Leonid property pursuant to an Unpatented Lode Claim Purchase Agreement between Parellex, LLC and AuEx, Inc. in consideration of \$5,000 and a 1% NSR from any future production from the Leonid property. Mr. Parratt’s share of the NSR is 10% and Mr. Bedell’s is 90%.
- The Company acquired the Pasco Canyon property pursuant to an Unpatented Lode Claim Purchase Agreement dated June 3, 2003 between Parellex, LLC and AuEx, Inc. in consideration of \$5,000 and a 1% NSR from any future production from the Pasco Canyon property. Mr. Parratt’s share of the NSR is 10% and Mr. Bedell’s is 90%.

OTHER MATERIAL FACTS

On January 31, 2003, an operating agreement (“Operating Agreement”) was adopted for AuEx, LLC by its original three members, Messrs. Ronald L. Parratt, Richard L. Bedell, Jr. and Ralph W. Kettell II. An operating agreement, although not required by Nevada law, is similar to a partnership agreement and establishes the agreement of the members for the conduct of business and their relationship to one another. Matters generally include maintenance of capital accounts, distribution of profits and losses, procedures for admitting new members, the rights and powers of each member, management structure and operating procedures associated with dissolution and such other and additional provisions as may be approved by the unanimous consent of the members. Effective March 1, 2004, AuEx, LLC converted to AuEx, Inc., a Nevada corporation, a process that is viewed as a continuation of the existence of AuEx, LLC in the form of AuEx, Inc. All rights and liabilities of the Operating Agreement, until modified or revoked, continue to govern the policies of AuEx, Inc. subject to the general corporation laws of the State of Nevada.

The Operating Agreement provides that the capital contributions of the three original members and their respective entitlement to membership units (“Units”) were:

- Mr. Parratt contributed the use of certain personal property and his agreement to provide technical services in exchange for 2,000,000 Units, subject to adjustment as described below.
- Mr. Bedell contributed the use of certain personal property and his agreement to provide technical services in exchange for 2,000,000 Units, subject to adjustment as described below.
- Mr. Kettell, although he agreed to contribute his professional and business expertise, held a right to purchase up to 2,000,000 Units upon a total contribution of \$240,000.00.

The Units received, or to be received, by the three original members were subject to adjustment as follows:

- The Units received by Messrs. Parratt and Bedell became fully paid on a prorated basis of 83,333.33 Units monthly for the calendar years 2003 and 2004 (the “Assessable Period”). Messrs. Parratt and Bedell had full voting and distribution rights of their respective Units during the Assessable Period. Should either Mr. Parratt or Mr. Bedell terminate or cease to provide technical services and their expertise to AuEx, LLC prior to the expiration of the Assessable Period, the portion of their respective 2,000,000 Units not fully paid would be cancelled. Mr. Parratt and/or Mr. Bedell would, nevertheless, be entitled to retain the portion of Units fully paid.
- Mr. Kettell, in exchange for his services, had a right, but not the obligation, to purchase a maximum of 2,000,000 Units at a price of \$0.12 per Unit through December 31, 2003, or such extended time as the three members agreed. Mr. Kettell has contributed \$190,000.00 and received 1,583,333 Units. Mr. Kettell also received warrants to purchase additional Units of AuEx, LLC or shares of AuEx, Inc. exercisable for a term of forty-eight months from the time each capital contribution was made by him.

Pursuant to the Operating Agreement, a member may transfer his or her interest in AuEx, LLC to another member without prior consent; otherwise, a transfer of Units required the approval of 65% of those members holding voting rights.

Messrs. Parratt and Bedell were each entitled to compensation at the rate of \$500.00 per day as employees of AuEx, LLC for the performance of ordinary and customary services (“Ordinary Compensation”). The aggregate compensation payable to them must not exceed \$100,000 in any calendar year. Parratt and Bedell, or either of them, were further entitled to defer the Ordinary Compensation and, upon their election, receive Units at a price of \$0.125 per Unit if the election was made prior to June 30, 2003, \$0.138 per Unit if the election was made prior to December 31, 2003, and \$0.15 per Unit if the election was made after December 31, 2003. In May of 2004, both Parratt and Bedell elected to receive common shares of AuEx, Inc. as deferred compensation at the

rate of \$0.15 per share for an aggregate of 293,333 shares. Messrs. Parratt and Bedell have waived any entitlement they may have to receive compensation under the Operating Agreement.

AUDITOR, REGISTRAR AND TRANSFER AGENT

The auditor of the Company is Davidson & Company, Suite 1200, 609 Granville Street, Vancouver, British Columbia, V7Y 1G6. The registrar and transfer agent of the common shares of the Company is Pacific Corporate Trust Company, 10th Floor-625 Howe Street, Vancouver, British Columbia, V6C 3B8.

MATERIAL CONTRACTS

The following are the material contracts of the Company entered into within the two years preceding the date of this prospectus:

- Operating Agreement described under “Other Material Facts”.
- Agency Agreement with the Agent described under “Plan of Distribution”.
- Merger Agreement described under “Corporate Structure – Proposed Corporate Structure”.
- Pequop Agreement described under “Development of the Business – Proposed Significant Acquisition”.
- Escrow Agreement with the Principals described under “Escrowed Securities”.

The contracts described above may be inspected at the offices of Getz Prince Wells, Suite 1810, 1111 West Georgia Street, Vancouver, British Columbia, during normal business hours during the period of the primary distribution of the Offered Shares and for thirty days thereafter.

EXPERTS

Allan V. Moran prepared for AuEx, Inc. a Technical Report on the Pequop Property, the contents of which are referred to under “The Pequop Property”. Mr. Moran has no direct or indirect interest in the property of the Company, nor does he hold any direct or indirect interest in the Company or its associates or affiliates, and he is not entitled to receive any such interest.

Certain legal matters relating to this offering will be passed upon on behalf of the Company by Getz Prince Wells and on behalf of the Agent by McCullough O’Connor Irwin.

Income tax consequences to purchasers are not viewed as a material aspect of this offering of the Offered Shares hereunder. **Purchasers should consult their own tax and legal advisors for advice with respect to the income tax and other consequences associated with their acquisition of securities under this prospectus.**

PURCHASER’S RIGHTS

Securities legislation in the provinces of British Columbia and Alberta provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt, or deemed receipt, of a prospectus and any amendment. In British Columbia and Alberta securities legislation further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, or damages, are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. A purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal adviser.

AUDITORS' CONSENT

We have read the prospectus of AuEx Ventures, Inc. (the "Company") dated _____ relating to the issue and sale of 4,000,000 common shares of the Company at US\$0.40 per share. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned prospectus of our report to the directors of the Company on the consolidated balance sheet of the Company as at June 30, 2004 and the consolidated statement of cash flows for the period from incorporation on May 10, 2004 to June 30, 2004. Our report is dated September 24, 2004 (except as to Note 7 which is as of _____).

We also consent to the use in the above mentioned prospectus of our report to the directors of AuEx, Inc. on the balance sheets of AuEx, Inc. as at June 30, 2004 and 2003 and the statements of operations, shareholders' equity and cash flows for the year ended June 30, 2004 and for the period from incorporation on January 16, 2003 to June 30, 2003. Our report is dated September 24, 2004 (except as to Note 14 which is as of _____).

Vancouver, Canada

Chartered Accountants

DATE

AUEX VENTURES, INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. dollars)

JUNE 30, 2004

AUDITORS' REPORT

To the Directors of
AuEx Ventures, Inc.

We have audited the consolidated balance sheet of AuEx Ventures, Inc. as at June 30, 2004 and the consolidated statement of cash flows for the period from incorporation on May 10, 2004 to June 30, 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 audit.

We conducted our audit 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 June 30, 2004 and the results of its cash flows for the period from incorporation on May 10, 2004 to June 30, 2004 in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

Chartered Accountants

September 24, 2004 (except as to Note 7 which is as of
November _____, 2004)

AUEX VENTURES, INC.
CONSOLIDATED BALANCE SHEET
(Expressed in U.S. dollars)
AS AT JUNE 30, 2004

ASSETS

Current

Cash \$ 1

Advance to related party (Note 3) 250,000

\$ 250,001

LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' equity

Capital stock (Note 4) \$ 1

Share subscriptions received in advance (Note 4) 250,000

\$ 250,001

Nature and continuance of operations (Note 1)

Commitments (Note 6)

Subsequent events (Note 7)

On behalf of the Board:

"Ronald L. Parratt"

Director

"Richard L. Bedell"

Director

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

AUEX VENTURES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in U.S. dollars)
PERIOD FROM INCORPORATION ON MAY 10, 2004 TO JUNE 30, 2004

CASH FLOWS FROM INVESTING ACTIVITIES

Advance to related party	\$ (250,000)
--------------------------	--------------

Net cash used in investing activities	<u>(250,000)</u>
---------------------------------------	------------------

CASH FLOWS FROM FINANCING ACTIVITIES

Share subscriptions received in advance	250,000
---	---------

Issuance of capital stock	<u>1</u>
---------------------------	----------

Net cash provided by financing activities	<u>250,001</u>
---	----------------

Cash, end of period	\$ 1
----------------------------	-------------

There were no significant non-cash transactions for the period ended June 30, 2004.

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

1. NATURE AND CONTINUANCE OF OPERATIONS

AuEx Ventures, Inc. ("the Company") was incorporated under the provisions of the Company Act (British Columbia) on May 10, 2004 to facilitate an Initial Public Offering ("IPO") of AuEx, Inc. AuEx Holdings, Inc. ("Holdings"), the Company's wholly-owned subsidiary, was incorporated for this same purpose, its specific role being to facilitate the Company's indirect acquisition of AuEx, Inc. by way of the merger of it with Holdings when the IPO completes.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company's continuing operations are dependent upon its ability to complete its IPO.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Holdings. All significant inter-company transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

3. RELATED PARTY TRANSACTIONS

In June 2004, the Company's subsidiary advanced \$250,000 to AuEx, Inc., a company related by way of common directors towards the acquisition of shares at AuEx, Inc. after June 30, 2004 (Note 7).

This transaction was in the normal course of operations and was measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

AUEX VENTURES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. dollars)
JUNE 30, 2004

4. CAPITAL STOCK

	Number of Shares	Amount
Authorized		
Unlimited common shares, without par value		
10,000,000 preferred shares, without par value		
Common shares issued		
Issued on incorporation	1	\$ 1
As at June 30, 2004	1	\$ 1

In May 2004, the Company received \$250,000 for share subscriptions towards a 2,500,000 common share private placement at a price of \$0.20 per share that completed subsequent to June 30, 2004 (Note 7).

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and advance to related party. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from this financial instrument. The fair value of this financial instrument approximates its carrying value, unless otherwise noted.

6. COMMITMENTS

The Company is in the process of filing a prospectus for an initial public offering ("IPO") to raise proceeds of \$1,600,000 through the issuance of 4,000,000 common shares at \$0.40 per share and list on the TSX Venture Exchange. The Company has entered into agreements including the Amended Agreement and Plan of Merger whereby it is contemplated that upon completion of the IPO, the Company will merge, through its subsidiary company, with AuEx, Inc., a company incorporated in Nevada with directors in common, which holds mineral property interests and whose business is mineral property acquisition and exploration.

The Company, through Holdings, will indirectly acquire all of the shares of AuEx, Inc. that it does not own in exchange for Class B non-voting shares of Holdings. The Class B shares will be issued by Holdings to the shareholders of AuEx, Inc. in exchange for all outstanding common shares of AuEx, Inc. not already held by the Company. The Class B non-voting shares will carry no material rights except the right of the holder to exchange such shares for common shares of the Company ("Exchangeable Shares"), at the option of the holder, for no additional consideration. On completion of the merger, all outstanding common shares of AuEx, Inc. will be cancelled. The Company will issue a special voting share to a transfer agent attaching a number of votes equal to the number of Exchangeable Shares at any given time.

AUEX VENTURES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. dollars)
JUNE 30, 2004

6. COMMITMENTS (cont'd...)

As a result of the share exchange described above, the former shareholders of AuEx, Inc. will acquire control of the Company. Accordingly, the acquisition of the Company will be accounted for the purchase method as a recapitalization with the net assets of the Company recorded at fair market value at the date of acquisition.

In conjunction with the IPO, AuEx Inc. will acquire 100% of the membership interest in Pittston Nevada Gold Company, Ltd. which holds the Pequop property. AuEx Inc. will issue 300,000 common shares, replace a reclamation bond requirement of \$443,000 on the property, and is required to issue 300,000 additional shares in August 2006. The common shares of AuEx, Inc. will be exchangeable for common shares of the Company.

Pursuant to an agency agreement, the Company will pay the agents a commission equal to 8% payable in cash or common shares at the option of the agent, issue 100,000 common shares as an advisory fee, and issue non-transferable agents' warrants equal to 10%, or 400,000 agents' warrants, of the aggregate number of shares issued in connection with the offering, with agents' warrants entitling the holder to acquire one common share at the offering price exercisable until 12 months after the completion of the IPO. An initial retainer of \$11,400 was paid to the agent by AuEx Inc.

7. SUBSEQUENT EVENTS

- a) Subsequent to June 30, 2004, the Company completed a private placement of 2,500,000 common shares for proceeds of \$500,000, of which \$250,000 had been received prior to the period end (Note 4).

The proceeds of this private placement have been used by Holdings to purchase 2,500,000 common shares of AuEx, Inc. at a cost of \$500,000, a company related by way of common directors. As disclosed in Note 3, \$250,000 of these funds were advanced to AuEx, Inc. prior to June 30, 2004.

In connection with completion of the private placement, the Company issued the following securities to the agent, Haywood Securities, Inc:

- 100,000 common shares as an advisory fee
- 200,000 common shares for commissions
- 250,000 share purchase warrants to purchase common shares at \$0.20 each. The warrants expire on the earlier of the first anniversary of the completion of an initial public offering and the third anniversary date of the issuance of the warrants.

AUEX VENTURES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. dollars)
JUNE 30, 2004

7. SUBSEQUENT EVENTS (cont'd...)

- b) Subsequent to June 30, 2004, AuEx, Inc., entered into a mining lease and option to purchase agreement for 14 unpatented mining claims in Pershing County, Nevada. The lease has a term of 20 years, but may be terminated at any time by AuEx, Inc. with 30 days notice. To the extent that the lease is not terminated, the Company will be required to issue common stock sufficient in value to equal the dollar amounts as follows:

Anniversary of agreement	Payment
3	\$ 7,500
4 - 5	10,000
6 - 7	12,500
8	15,000
9	20,000
10 - 20	25,000

The number of shares which the Company may be required to issue under this agreement will not exceed 300,000.

- c) On November 12, 2004, the Company's shareholders approved a Combined Incentive and Non-qualified Stock Option Plan (the "Plan"). 950,000 stock options, expiring November 2, 2009 have been granted under the Plan. 750,000 of these options have an exercise price of \$0.32. The remaining 200,000 options have an exercise price of \$0.20.

AUEX, INC.
(An Exploration Stage Company)

FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)

JUNE 30, 2004

AUDITORS' REPORT

To the Directors of
AuEx, Inc.

We have audited the balance sheets of AuEx, Inc. as at June 30, 2004 and 2003 and the statements of operations, shareholders' equity, and cash flows for the year ended June 30, 2004 and for the period from incorporation on January 16, 2003 to June 30, 2003. 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 financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2004 and 2003 and the results of its operations and its cash flows for the year ended June 30, 2004 and for the period from incorporation on January 16, 2003 to June 30, 2003 in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
September 24, 2004 (except as to Note 14
which is as of _____, 2004)

Chartered Accountants

AUEX, INC.
(An Exploration Stage Company)
BALANCE SHEETS
(Expressed in U.S. dollars)
AS AT JUNE 30

	2004	2003
ASSETS		
Current		
Cash	\$ 265,820	\$ 13,044
Receivables	-	5,000
Prepaid expenses	5,316	-
Marketable securities (Note 3)	<u>7,500</u>	<u>7,500</u>
	278,636	25,544
Equipment (Note 4)	2,645	-
Mineral properties (Note 5)	<u>494,848</u>	<u>154,745</u>
	<u>\$ 776,129</u>	<u>\$ 180,289</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 123,897	\$ 10,183
Due to related parties (Note 6)	<u>10,034</u>	<u>44,049</u>
	<u>133,931</u>	<u>54,232</u>
Shareholders' equity		
Common stock (Note 7)		
Authorized		
100,000,000 shares, par value of \$0.001		
Issued		
7,307,241 shares (June 30, 2003 – 4,833,333)	7,307	4,833
Contributed surplus	796,143	215,167
Share subscriptions received in advance (Note 6)	250,000	-
Deficit	<u>(411,252)</u>	<u>(93,943)</u>
	<u>642,198</u>	<u>126,057</u>
	<u>\$ 776,129</u>	<u>\$ 180,289</u>

Nature and continuance of operations (Note 1)

Commitments (Note 13)

Subsequent events (Note 14)

On behalf of the Board:

"Ronald L. Parratt" Director _____
"Richard L. Bedell" Director

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

AUEX, INC.
(An Exploration Stage Company)
STATEMENTS OF OPERATIONS
(Expressed in U.S. dollars)

	Year Ended June 30, 2004	From Inception (January 16, 2003) to June 30, 2003
EXPENSES		
Amortization	\$ 763	\$ -
Consulting	46,981	32,218
Corporate finance fees	14,400	-
Management fees	90,000	45,000
Office and miscellaneous	43,663	5,138
Professional fees	96,008	8,415
Rent	8,047	2,500
Travel and related	10,247	672
Website development and maintenance	<u>7,200</u>	<u>-</u>
Loss for the period	\$ (317,309)	\$ (93,943)
Basic and diluted loss per share	\$ (0.05)	\$ (0.02)
Weighted average number of shares outstanding	6,086,133	4,318,939

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

AUEX, INC.
(An Exploration Stage Company)
STATEMENT OF SHAREHOLDERS' EQUITY
(Expressed in U.S. dollars)

	Common Shares		Contributed Surplus	Share Subscriptions Received in Advance	Deficit	Total
	Number	Amount				
Balance, January 16, 2003 (date of inception)	-	\$ -	\$ -	\$ -	\$ -	\$ -
Common shares issued to founding members at \$0.12 per share, January 16, 2003 (Note 6)	4,000,000	4,000	(4,000)	-	-	-
Common stock issued for cash at \$0.12 per share, January 2003	83,333	83	9,917	-	-	10,000
Common stock issued for cash at \$0.12 per share, February 2003	125,000	125	14,875	-	-	15,000
Common stock issued for cash at \$0.12 per share, March 2003	125,000	125	14,875	-	-	15,000
Common stock issued for cash at \$0.12 per share, May 2003	333,333	333	39,667	-	-	40,000
Common stock issued for cash at \$0.12 per share, June 2003	166,667	167	19,833	-	-	20,000
Stock-based compensation (Note 6)	-	-	120,000	-	-	120,000
Loss for the period	-	-	-	-	(93,943)	(93,943)
Balance, June 30, 2003	4,833,333	4,833	215,167	-	(93,943)	126,057
Common stock issued for cash at \$0.125 per share, July 2003	320,000	320	39,680	-	-	40,000
Common stock issued for cash at \$0.125 per share, August 2003	80,000	80	9,920	-	-	10,000
Common stock issued for cash at \$0.12 per share, October 2003	66,667	67	7,933	-	-	8,000
Common stock issued for cash at \$0.125 per share, October 2003	80,000	80	9,920	-	-	10,000
Common stock issued for cash at \$0.22 per share, October 2003	45,500	46	9,964	-	-	10,010
Common stock issued for cash at \$0.12 per share, November 2003	83,333	83	9,917	-	-	10,000
Common stock issued for cash at \$0.22 per share, November 2003	110,500	110	24,190	-	-	24,300
Common stock issued for website development and maintenance fees, November 2003	60,000	60	7,140	-	-	7,200
Common stock issued for corporate finance fee, November 2003	120,000	120	14,280	-	-	14,400
Common stock issued for cash at \$0.22 per share, December 2003	57,000	57	12,483	-	-	12,540
Common stock issued for cash at \$0.22 per share, January 2004	50,000	50	10,950	-	-	11,000
Common stock issued for cash at \$0.12 per share, February 2004	1,016,666	1,017	120,983	-	-	122,000
Common stock issued for cash at \$0.22 per share, February 2004	90,909	91	19,909	-	-	20,000
Common stock issued to settle debt, May 2004	155,000	155	23,095	-	-	23,250
Common stock issued to settle debt, May 2004	138,333	138	20,612	-	-	20,750
Stock-based compensation (Note 6)	-	-	240,000	-	-	240,000
Loss for the year	-	-	-	-	(317,309)	(317,309)
Share subscriptions received in advance	-	-	-	250,000	-	250,000
Balance, June 30, 2004	7,307,241	\$ 7,307	\$ 796,143	\$ 250,000	\$ (411,252)	\$ 642,198

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

AUEX, INC.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
(Expressed in U.S. dollars)

	Year Ended June 30, 2004	From Inception (January 16, 2003) to June 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (317,309)	\$ (93,943)
Items not affecting cash:		
Amortization	763	-
Shares issued for corporate finance fee	14,400	-
Stock-based compensation	90,000	45,000
Shares issued for website development and maintenance	7,200	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	5,000	(5,000)
Increase in prepaid expenses	(5,316)	-
Increase in accounts payable and accrued liabilities	113,714	10,183
Increase in due to related parties	<u>9,985</u>	<u>44,049</u>
Net cash provided by (used in) operating activities	<u>(81,563)</u>	<u>289</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property expenditures, net	(190,103)	(87,245)
Purchase of equipment	<u>(3,408)</u>	<u>-</u>
Net cash used in investing activities	<u>(193,511)</u>	<u>(87,245)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares for cash	277,850	100,000
Share subscriptions received in advance	<u>250,000</u>	<u>-</u>
Net cash provided by financing activities	<u>527,850</u>	<u>100,000</u>
Change in cash for the period	252,776	13,044
Cash, beginning of the period	<u>13,044</u>	<u>-</u>
Cash, end of the period	\$ 265,820	\$ 13,044
Cash paid during the period for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 9)

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

AUEX, INC.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in U.S. dollars)
JUNE 30, 2004

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated in the State of Nevada on January 16, 2003 as AuEx, LLC. Under a plan of conversion dated February 27, 2004, units of ownership of AuEx, LLC were converted one-for-one into common shares of AuEx, Inc., (the "Company"), a newly incorporated entity.

The conversion of AuEx, LLC to the Company has been accounted for retroactively, as though the Company was the existing entity at the inception date of January 16, 2003.

The Company is in the business of acquisition and exploration of gold mining properties in the State of Nevada (Note 5) and is considered to be an exploration stage company as it has not yet generated revenues from operations.

All amounts are expressed in United States dollars.

The Company has not yet determined whether its mineral properties contain economically recoverable ore reserves. The recovery of the amounts comprising mineral properties and deferred exploration costs are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production.

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

	June 30, 2004	June 30, 2003
Deficit	\$ (411,252)	\$ (93,943)
Working capital (deficiency)	(144,705)	(28,688)

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada. The significant accounting policies adopted by the Company are as follows:

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Marketable securities

Marketable securities are recorded at the lower of cost or market value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Equipment, consisting of office equipment and computers, is stated at cost less accumulated amortization. Amortization is calculated based on the estimated useful life of the asset using the declining balance method at a rate of 60% per annum.

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral property interests is based on cash paid, the value of share considerations and exploration costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Deferred exploration costs

The Company defers expenditures directly attributable to the exploration of mineral properties, pending a decision as to the commercial viability of a property. If reserves are developed, the deferred costs will be amortized to operations when production is commenced on the property. If a property is subsequently determined as being uneconomic, a provision for impairment is provided in the year in which the determination is made. Amortization will be computed on the basis of units produced in relation to the estimated reserves. Upon abandonment, sale, or if management determined there to be an impairment of a property, all deferred costs relating to the property will be expensed.

The amounts shown for mineral properties and deferred exploration costs represent costs to date and do not intend to reflect present or future values.

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Stock-based compensation

The Company accounts for the granting of stock options to employees and non-employees using the fair value method whereby all awards to employees and non-employees will be recorded at fair value on the date of grant. The Company estimates the fair value of each stock option at the date of grant using the Black-Scholes option pricing model. Any consideration paid by the option holders to purchase shares is credited to capital stock.

AUEX, INC.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in U.S. dollars)
JUNE 30, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset would be recovered, it provides a valuation allowance against the excess.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options and warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period.

3. MARKETABLE SECURITIES

In May 2003, the Company received 75,000 shares of NDT Ventures Ltd. under an option agreement for the Pasco Canyon prospect (Note 5). The quoted market value of the shares as at June 30, 2004 was \$12,000 (2003 – \$7,500).

4. EQUIPMENT

	June 30, 2004	June 30, 2003
Office equipment, at cost	\$ 1,987	\$ -
Computers, at cost	1,421	-
Less: accumulated amortization	<u>(763)</u>	<u>-</u>
Net book value	<u>\$ 2,645</u>	<u>\$ -</u>

AUEX, INC.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in U.S. dollars)
JUNE 30, 2004

5. MINERAL PROPERTIES

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and to the best of its knowledge, all properties are in good standing.

	June 30, 2004							
	Buffalo Canyon	Fireball Ridge	Pasco Canyon	Leonid	Bunce	Pequop	Other	Total
Acquisition costs								
Balance, beginning of year	\$ 8,567	\$ 22,051	\$ 18,695	\$ 10,350	\$ 24,946	\$ -	\$ 7,116	\$ 91,725
Additions during the year								
Purchase consideration	7,000	7,000	-	7,000	35,000	-	4,547	60,547
Administrative Labour	1,290	13,061	4,570	4,260	31,221	39,562	10,558	104,522
Staking	<u>645</u>	<u>-</u>	<u>914</u>	<u>21,299</u>	<u>6,244</u>	<u>-</u>	<u>-</u>	<u>29,102</u>
Total acquisition costs	<u>17,502</u>	<u>42,112</u>	<u>24,179</u>	<u>42,909</u>	<u>97,411</u>	<u>39,562</u>	<u>22,221</u>	<u>285,896</u>
Deferred exploration costs								
Balance, beginning of year	1,838	2,137	1,949	859	4,538	-	64,199	75,520
Additions during the year								
Assaying, testing and analysis	670	-	-	200	2,400	-	2,612	5,882
Camp and field supplies	300	45	-	90	420	-	172	1,027
Geological and geophysical	4,515	1,451	3,656	17,039	24,976	9,891	31,674	93,202
Licenses and permits	728	728	728	728	728	-	2,187	5,827
Travel and accommodation	300	-	-	300	-	-	491	1,091
Administrative labour	-	-	-	-	-	-	63,347	63,347
Data	<u>339</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>-</u>	<u>799</u>	<u>2,638</u>
Total deferred exploration costs	<u>8,690</u>	<u>4,661</u>	<u>6,333</u>	<u>19,216</u>	<u>34,262</u>	<u>9,891</u>	<u>165,481</u>	<u>248,534</u>
Less: recoveries	<u>-</u>	<u>(15,000)</u>	<u>(14,582)</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,582)</u>
Total	<u>\$ 26,192</u>	<u>\$ 31,773</u>	<u>\$ 15,930</u>	<u>\$ 52,125</u>	<u>\$ 131,673</u>	<u>\$ 49,453</u>	<u>\$ 187,702</u>	<u>\$ 494,848</u>

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5. MINERAL PROPERTIES (cont'd...)

	June 30, 2003							
	Buffalo Canyon	Fireball Ridge	Pasco Canyon	Leonid	Bunce	Pequop	Other	Total
Acquisition costs								
Balance, beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions during the period								
Purchase consideration	5,000	6,000	6,000	5,000	6,500	-	272	28,772
Administrative								
Labour	1,189	12,484	5,642	-	6,149	-	6,844	32,308
Staking	<u>2,378</u>	<u>3,567</u>	<u>7,053</u>	<u>5,350</u>	<u>12,297</u>	<u>-</u>	<u>-</u>	<u>30,645</u>
Total acquisition costs	<u>8,567</u>	<u>22,051</u>	<u>18,695</u>	<u>10,350</u>	<u>24,946</u>	<u>-</u>	<u>7,116</u>	<u>91,725</u>
Deferred exploration costs								
Balance, beginning of period	-	-	-	-	-	-	-	-
Additions during the period								
Assaying, testing and analysis	97	78	-	-	332	-	486	993
Camp and field supplies	34	45	27	30	45	-	146	327
Geology	396	1,783	1,411	595	2,050	-	20,531	26,766
Licenses and permits	111	111	111	111	111	-	333	888
Travel and accommodation	1,200	120	400	123	2,000	-	1,640	5,483
Administrative labour	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,063</u>	<u>41,063</u>
Total deferred exploration costs	<u>1,838</u>	<u>2,137</u>	<u>1,949</u>	<u>859</u>	<u>4,538</u>	<u>-</u>	<u>64,199</u>	<u>75,520</u>
Less: recoveries	<u>-</u>	<u>-</u>	<u>(12,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,500)</u>
Total	<u>\$10,405</u>	<u>\$24,188</u>	<u>\$ 8,144</u>	<u>\$11,209</u>	<u>\$29,484</u>	<u>\$ -</u>	<u>\$71,315</u>	<u>\$154,745</u>

Buffalo Canyon

The Company holds unpatented mining claims located in the Union Mining District of Nye County, Nevada.

Two directors of the Company collectively have a 1% net smelter royalty ("NSR") interest in the Buffalo Canyon claims by virtue of an agreement with the Company dated April 15, 2003.

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5. MINERAL PROPERTIES (cont'd...)

Fireball Ridge

The Company holds and leases unpatented claims which collectively form the Fireball Ridge prospect in Churchill County, Nevada.

The Company is obligated, under a mining lease agreement dated April 15, 2003, to pay advance minimum royalty payments of \$2,000 annually for five years, \$3,000 in year six and \$5,000 annually in years seven through ten. The agreement expires April 15, 2013.

Upon commencing production of minerals from the property, the Company will be obligated to pay the lessor production royalties as defined under the mining lease agreement.

The Company has, in turn, entered into a mining lease and option to purchase agreement with Newcrest Resources, Inc. ("Newcrest") dated February 15, 2004 allowing Newcrest to conduct mineral exploration and development on the property. The agreement has a term of ten years. It provides that Newcrest will pay the Company earned production royalties as defined in the agreement and advance royalties, to be applied to the earned production royalties, according to the following schedule:

Anniversary of agreement	Payment
Date of signing mining lease and option to purchase agreement	\$ 15,000 (received)
1	20,000
2	25,000
3	30,000
4	35,000
5	40,000
6	45,000
7 and subsequent	50,000

Allowance royalties of \$15,000 were received on February 5, 2004 and were recognized as mineral property recoveries.

Pasco Canyon

The Company holds unpatented mining claims located in Nye County, Nevada which form the Pasco Canyon prospect. The Company had entered into an agreement with NDT Ventures Ltd. ("NDT") under which NDT would have had the option to acquire up to a 70% interest in the Pasco Canyon claims.

NDT would have been able to acquire up to a 51% interest in the claims for an aggregate purchase price, to be paid over five years, of 750,000 common shares of NDT's capital stock and cash payments totaling \$500,000 and by NDT expending an aggregate of \$500,000 in exploration and development costs.

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5. MINERAL PROPERTIES (cont'd...)

Pasco Canyon (cont'd...)

NDT made the first year's payments of \$5,000 cash and 75,000 common shares, as required under the agreement and had committed to property exploration expenditures of \$15,000.

In June 2004, NDT exercised its right to terminate the agreement.

Two directors of the Company collectively have a 1% NSR interest in the Pasco Canyon claims by virtue of an agreement with the Company dated April 15, 2003.

Leonid

The Company holds unpatented claims in Elko County, Nevada which collectively form the Leonid prospect.

In May 2004, the Company entered into an agreement with Nevada Superior, Inc. ("NSI") allowing NSI the exclusive right to acquire a 50% interest in the Leonid prospect. NSI will pay the Company \$10,000 on execution of the agreement (received) as well as additional payments as follows:

Anniversary of agreement	Payment
1	\$ 10,000
2	10,000
3	15,000
4	15,000
5	15,000

In addition, NSI is to complete \$1,500,000 in expenditures on the property prior to the 6th anniversary of the agreement.

Two directors of the company collectively have a 1% NSR interest in the Leonid claims by virtue of an agreement with the Company dated April 15, 2003.

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5. MINERAL PROPERTIES (cont'd...)

Bunce

The Company has entered into a mining lease for approximately 80 acres in Pershing County, Nevada. Upon execution of the agreement, the initial lease payment of \$4,000 was made. Commencing on the first anniversary of the agreement (April 19, 2005), additional payments are required as follows:

Anniversary of agreement	Payment
1	\$ 4,000
2	6,000
3	8,000
4	10,000
5	10,000
6 – 10	15,000
11 and subsequent	*50,000
	*subject to adjustment for inflation

In addition, the Company has committed to incur the following qualified expenditures, as defined in the lease agreement:

Year	Required Expenditures
1	\$ 25,000
2	25,000
3	50,000
4	50,000
5 and subsequent	50,000

The Company must pay a 4% NSR royalty for all minerals produced on commencing production, and in no event may the royalty be less than the annual rents shown above. The Company is also responsible for any and all taxes assessed and due against the property.

The agreement includes an option to require purchase of the property at the discretion of the Lessor for \$80,000 subject to adjustment for inflation.

5. MINERAL PROPERTIES (cont'd...)

Bunce (cont'd...)

The Company entered into a letter of intent with Newmont USA Limited ("Newmont") to execute a Lease and Sublease Agreement (the "Agreement") for certain additional mineral exploration properties in Pershing County, Nevada. The Company will be required to make exploration expenditures in the amount of \$75,000 on or before the first anniversary of the Agreement, an additional \$125,000 of exploration expenditures on or before the second anniversary and no less than an additional \$100,000 on or before each anniversary thereafter with an aggregate amount of \$2,000,000 to be spent on or before the seventh anniversary. Beginning on the eighth anniversary of the Agreement, and for each anniversary thereafter, the Company would be required to pay Newmont annual rent of \$10 per acre held under the Agreement, escalating 5% annually. The rent will not be payable if the Company incurred at least \$500,000 in exploration expenditures during the preceding lease year. Newmont has an option to enter into a joint venture with the Company under terms outlined in the Agreement. If Newmont does not exercise its option to enter into a joint venture with the Company, the Company will pay Newmont a NSR royalty ranging between 2% and 5% depending on the price of gold.

Pequop

In April, 2004 the Company signed a letter of intent, replaced in August, 2004, by a Members' Interest Purchase Agreement to acquire all the assets and obligations (including interest in the Pequop Project in Elko County, Nevada, gold exploration data files, all personal and real property of the Company and all operating permits and licenses pertaining to the Pequop Project) of Pittston Nevada Gold Company, a Nevada LLC.

The purchase price is comprised as follows:

1. Issuance of 300,000 common shares of the Company to PMV Gold Corp. ("PMV Gold"), the owner of Pittston Nevada Gold Company.
2. Issuance of an additional 300,000 common shares on the 2nd anniversary of the purchase agreement.

In addition, the Company will be required to replace a \$443,000 reclamation bond at the time of the initial share issuance and issue an additional 500,000 bonus shares to PMV Gold if it is successful in defining minimum levels of measured and indicated resources on the Pequop project, as defined in the purchase agreement.

The Company will have a two year period to provide a publicly traded vehicle for market liquidity such that PMV Gold may re-sell its shares. If the Company does not meet this requirement, PMV Gold has the right to request a reconveyance of all or part of the assets of Pittston Nevada Gold Company as of the date of the purchase agreement.

Closing of the sale is conditional on the earlier occurrence of the Company completing an initial public offering for its shares or replacing the reclamation bond related to Pittston Nevada Gold Company's interest in the Pequop property.

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5. MINERAL PROPERTIES (cont'd...)

Thunder Mountain

Effective June 30, 2004, the Company entered into a Mining Lease and Option to Purchase Agreement with Reinert Corporation to acquire an interest in 48 mining claims in Nye County, Nevada.

The initial term of the lease is for 20 years from June 30, 2004. The Company has the option to extend the term of the lease for additional terms of one year providing that active exploration activities are underway on the properties.

The Company has committed to make the following advance payments, commencing the date of execution of the agreement (August 3, 2004):

Date	Payment Amount
Date of agreement execution	\$10,000 and August 2003 claim fees (paid)
January 1, 2005	\$10,000
January 1, 2006	\$20,000
January 1, 2007	\$40,000
January 1, 2008	\$60,000
January 1, 2009	\$80,000
January 1, 2010 and on January 1 of each succeeding year during which the agreement is effective	\$100,000

In addition, the Company must pay a NSR royalty ranging from 2.5% to 3.5% depending on the market price per ounce of gold. The advance payments will be credited to the royalty payments.

The Company has the exclusive option to acquire title to the mineral property subject to conditions defined in the agreement.

In August 2004, the Company entered into a letter agreement with Alaska Gold Company ("AGC") granting AGC the exclusive right and option to obtain an 80% undivided interest in the Thunder Mountain project which is subject to the Reinert Corporation Lease. In order to acquire the interest, AGC paid the Company \$10,000, agreed to reimburse the Company for the \$10,000 advance payment paid to Reinert Corporation on entering into the Reinert Lease and agreed to spend an aggregate of \$2,000,000 on qualified expenditures prior to the seventh anniversary of the letter agreement.

5. MINERAL PROPERTIES (cont'd...)

Other Prospects

The Company also holds additional unpatented mining claims in Pershing and Churchill Counties, Nevada which form the Fireball South, Swiss Bank and Sinter and JPW prospects.

The Company has entered into an agreement with Nevada Land and Resource Company ("NLRC") effective September 5, 2003 for a term of five years for a license to conduct exploration activities on properties in Pershing and Churchill Counties, Nevada.

Under this agreement, the Company has committed to pay NLRC the sum of \$0.50 per acre during the first three years of the agreement and \$1.00 per acre during the fourth and fifth years of the agreement. Payment for the first year is unconditional; however, termination of the agreement will relieve the Company of payments for the subsequent years. The Company has also committed to pay a production royalty from properties included in an area of interest defined in the agreement. The agreement also requires the Company to surrender not less than ½ of the unpatented lands on or before the third anniversary or pay an additional \$10,000. The Company may terminate the agreement on 30 days notice.

6. RELATED PARTIES

Due to related parties consists of amounts due to directors for consulting fees and mineral property claims, are non-interest bearing and without fixed terms for repayment.

Share subscriptions received in advance were received from a company with common directors (Note 14).

Unless disclosed elsewhere, related party transactions for the year ended June 30, 2004 and the period from inception (January 16, 2003) to June 30, 2003 are as follows:

- (a) Paid or accrued \$Nil (2003 - \$15,000) to Parellex, LLC for the purchase of Buffalo Canyon, Leonid and Pasco Canyon claims groups. Parellex, LLC was a Company previously owned by two of the Company's directors, who, by agreement, are entitled to receive a 1% NSR on the claim groups.
- (b) Paid or accrued consulting fees and deferred exploration costs of \$125,000 (2003 - \$88,000) to two of the Company's directors.
- (c) Paid or accrued rent expense of \$6,000 (2003 - \$2,500) to a company with a common director.

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6. RELATED PARTIES (cont'd...)

- (d) Incurred management fees and mineral property costs of \$240,000 (2003 - \$120,000) to two directors with common stock issued at \$0.12 per share. Under the original operating agreement of AuEx, LLC (Note 1), the Company issued a total of 4,000,000 shares in January, 2003 to two directors in exchange for future consulting services for the period from the Company's inception to December 31, 2004. As the Company has the right to cancel the remaining pro-rata portion of these shares should the directors not fulfill their commitment to perform these services, these shares were recorded at fair value and will be marked to market at the end of each reporting period until the earlier of the completion of the services or a change in the status of the two directors from consultants to employees of the Company. Therefore, the 4,000,000 shares have been recorded at an initial value of \$0.12 per share for a total value of \$480,000 which has been offset by a reduction in contributed surplus for the corresponding amount. Compensation expense is recognized as the shares were earned.

In February, 2004, the two directors became employees of the Company. As a result, the remaining pro-rata portion of the fair value of these shares to be earned was determined to be \$200,000 which is to be recognized as earned over the remaining service period.

Related compensation from the Company's inception to June 30, 2003 totaled \$120,000 for 1,000,000 shares earned, and was allocated as to \$75,000 for mineral properties and \$45,000 for management fees. Compensation for the year ended June 30, 2004 totaled \$240,000 for an additional 2,000,000 shares earned and was allocated as to \$150,000 for mineral properties and \$90,000 for management fees.

The related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. COMMON STOCK

During the period from inception (January 16, 2003) to June 30, 2004, the Company issued common stock as follows:

- a) Issued 4,000,000 shares of common stock on the date of the Company's inception, January 16, 2003, to two founding directors at \$0.12 per share, which has been offset by a reduction in additional paid-in capital for the corresponding amount, as described in Note 6.
- b) Issued 83,333 shares of common stock in January, 2003 at a value of \$0.12 per share for total proceeds of \$10,000. There are 10,000 warrants attached to these shares with an exercise price of \$0.138 per share which expire on January 31, 2007.
- c) Issued 125,000 shares of common stock in February, 2003 at a value of \$0.12 per share for total proceeds of \$15,000. There are 15,000 warrants attached to these shares with an exercise price of \$0.138 per share which expire on February 28, 2007.
- d) Issued 125,000 shares of common stock in March, 2003 at a value of \$0.12 per share for total proceeds of \$15,000. There are 15,000 warrants attached to these shares with an exercise price of \$0.138 per share which expire on March 30, 2007.

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7. COMMON STOCK (cont'd...)

- e) Issued 333,333 shares of common stock in May, 2003 at a value of \$0.12 per share for total proceeds of \$40,000. There are 40,000 warrants attached to these shares with an exercise price of \$0.138 per share which expire on May 31, 2007.
- f) Issued 166,667 shares of common stock in June, 2003 at a value of \$0.12 per share for total proceeds of \$20,000. There are 20,000 warrants attached to these shares with an exercise price of \$0.138 per share which expire on June 30, 2007.
- g) Issued 320,000 shares of common stock in July, 2003 at a value of \$0.125 per share for total proceeds of \$40,000.
- h) Issued 80,000 shares of common stock in August, 2003 at a value of \$0.125 per share for total proceeds of \$10,000.
- i) Issued 66,667 shares of common stock in October, 2003 at a value of \$0.12 per share for total proceeds of \$8,000. There are 8,000 warrants attached to these shares with an exercise price of \$0.15 per share which expire on October 31, 2007.
- j) Issued 80,000 shares of common stock in October, 2003 at a value of \$0.125 per share for total proceeds of \$10,000.
- k) Issued 45,500 shares of common stock in October, 2003 at a value of \$0.22 per share for total proceeds of \$10,010. There are 45,500 warrants attached to these shares with an exercise price of \$0.32 per share which expire on October 31, 2004.
- l) Issued 83,333 shares of common stock in November, 2003 at a value of \$0.12 per share for total proceeds of \$10,000. There are 10,000 warrants attached to these shares with an exercise price of \$0.15 per share which expire on November 30, 2007.
- m) Issued 110,500 shares of common stock in November, 2003 at a value of \$0.22 per share for total proceeds of \$24,300. There are 110,500 warrants attached to these shares with an exercise price of \$0.32 per share which expire on November 30, 2004.
- n) Issued 60,000 shares of common stock in November, 2003 at a value of \$0.12 per share for website development and maintenance fees totaling \$7,200.
- o) Issued 120,000 shares of common stock in November, 2003 at a value of \$0.12 per share for corporate finance fees totalling \$14,400.
- p) Issued 57,000 shares of common stock in December, 2003 at a value of \$0.22 per share for total proceeds of \$12,540. There are 57,000 warrants attached to these shares with an exercise price of \$0.32 per share which expire on December 31, 2004.

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7. COMMON STOCK (cont'd...)

- q) Issued 50,000 shares of common stock in January, 2004 at a value of \$0.22 per share for total proceeds of \$11,000. There are 50,000 warrants attached to these shares with an exercise price of \$0.32 per share which expire on January 31, 2005.
- r) Issued 416,666 shares of common stock in February, 2004 at a value of \$0.12 per share for total proceeds of \$50,000.
- s) Issued 600,000 shares of common stock in February, 2004 at a value of \$0.12 per share for total proceeds of \$72,000. There are 72,000 warrants attached to these shares with an exercise price of \$0.15 per share which expire on February 28, 2008.
- t) Issued 90,909 shares of common stock in February, 2004 at a value of \$0.22 per share for total proceeds of \$20,000. There are 90,909 warrants attached to these shares with an exercise price of \$0.32 per share which expire on February 28, 2005.
- u) Issued 155,000 shares of common stock in May 2004, at a value of \$0.15 per share to settle debt of \$23,250 owed to a director of the Company.
- v) Issued 138,333 shares of common stock in May 2004, at a value of \$0.15 per share to settle debt of \$20,750 owed to a director of the Company.

Common shares

The common shares of the Company are all of the same class, are voting and entitle stockholders to receive dividends. Upon liquidation or wind-up, stockholders are entitled to participate equally with respect to any distribution of net assets or any dividends which may be declared.

The Company has the right to cancel common shares issued at inception to two directors, as described in Note 6

Contributed surplus

The excess of proceeds received for shares of common stock over their par value of \$0.001, less share issue costs, is credited to contributed surplus.

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8. WARRANTS

At June 30, 2004, the Company had share purchase warrants outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
45,500	\$ 0.32	October 31, 2004 (subsequently exercised)
110,500	0.32	November 30, 2004 (subsequently exercised)
57,000	0.32	December 31, 2004
50,000	0.32	January 31, 2005
90,909	0.32	February 28, 2005
10,000	0.138	January 31, 2007
15,000	0.138	February 28, 2007
15,000	0.138	March 30, 2007
40,000	0.138	May 31, 2007
20,000	0.138	June 30, 2007
8,000	0.15	October 31, 2007
10,000	0.15	November 30, 2007
<u>72,000</u>	0.15	February 28, 2008
<u>543,909</u>		

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions of the Company for the year ended June 30, 2004 were as follows:

- Issued 60,000 common shares at \$0.12 per share for \$7,200 in website development and maintenance fees.
- Issued 120,000 common shares at \$0.12 per share for \$14,400 in corporate finance fees.
- Issued 155,000 shares of common stock to settle debt of \$23,250 owed to a director of the Company.
- Issued 138,333 shares of common stock to settle debt of \$20,750 owed to a director of the Company.
- Recorded \$150,000 of mineral property costs and \$90,000 for management fees with a corresponding increase to contributed surplus for shares earned (Note 6).

The significant non-cash transactions of the Company for the period from inception (January 16, 2003) to June 30, 2003 were as follows:

- Received 75,000 common shares of NDT valued at \$7,500 as part of the joint venture agreement for the Pasco Canyon prospect.
- Recorded \$75,000 of mineral property costs and \$45,000 for management fees with a corresponding increase to contributed surplus for shares earned (Note 6).

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10. INCOME TAXES

As discussed in Note 1, the Company was originally incorporated as a limited liability company. Accordingly, the losses of the Company prior to its conversion to a "C" corporation flowed through to members of the limited liability company.

A reconciliation of income taxes at statutory rates with the reported taxes for the period from conversion to a "C" corporation to June 30, 2004 is as follows:

Loss before income taxes	\$	(105,770)
Expected income tax (recovery)	\$	(35,962)
Items deductible for tax purposes		(3,855)
Unrecognized benefit of operating loss carry-forwards		<u>39,816</u>
Actual income tax recovery	\$	<u>-</u>

Significant components of the Company's future income tax assets based on statutory rates are as follows:

	June 30, 2004
Future income tax assets:	
Operating loss carry-forwards	\$ 39,816
Assets	34,691
Valuation allowance	<u>(74,507)</u>
Net future income tax assets	\$ -

The Company has approximately \$117,000 of operating loss carry-forwards which expire beginning in 2024.

The Company has provided a valuation allowance against its future tax assets given that it is in the exploration stage and it is more likely than not that these benefits will not be realized.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, marketable securities, accounts payable and accrued liabilities and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

12. SEGMENT INFORMATION

The Company operates in one segment, being the acquisition and exploration of mineral properties, in the United States.

13. COMMITMENTS

Except as otherwise disclosed, the Company has the following commitments:

The Company entered into an agreement with Haywood Securities Inc. ("Haywood") for agency services in completing a proposed private placement of 2,500,000 common shares at \$0.20 per share and initial public offering ("IPO") of up to 4,000,000 shares at \$0.40 per share on the TSX Venture Exchange. The terms of the agreement are as follows:

- commission of 8% cash, payable on closing. Haywood may accept shares in lieu of cash.
- 10% of each issue will be payable in warrants, including a unit if applicable, priced at the same strike price as the financing price. Warrants will have a one year term from the date of the initial public offering.
- 200,000 common shares to be paid as an advisory fee and commission, 100,000 of which are payable at the time of the private placement and 100,000 payable at the completion of the initial public offering.
- payment of expenses related to the private placement and initial public offering incurred by Haywood, including legal fees.
- payment of an initial retainer of Cdn\$15,000 (paid).

The agreement was amended to transfer the above terms, including the IPO, to AuEx Ventures, Inc. ("Ventures"), a company related by way of common directors, and resulted in a subsequent purchase of shares of the Company by AuEx Holdings, Inc. ("Holdings"), a wholly owned subsidiary of Ventures (Note 14).

14. SUBSEQUENT EVENTS

- a) In August, 2004, the Company issued 2,500,000 common shares for proceeds of \$500,000 to Holdings, of which \$250,000 of these proceeds were received prior to June 30, 2004 (Note 6).

Ventures is incorporated in British Columbia, Canada and intends to complete an initial public offering on an exchange in Canada. The Company anticipates completing a merger with Holdings upon successful completion of this initial public offering.

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14. SUBSEQUENT EVENTS (cont'd...)

a) *Continued*

Should the merger be consummated, Ventures, through Holdings, will indirectly acquire all of the shares of the Company that it does not own in exchange for Class B non-voting shares of Holdings. The Class B shares will be issued by Holdings to the shareholders of the Company in exchange for all outstanding common shares of the Company not already held by Holdings. The Class B non-voting shares will carry no material rights except the right of the holder to exchange such shares for common shares of Ventures ("Exchangeable Shares"), at the option of the holder, for no additional consideration. On completion of the merger, all outstanding common shares of the Company will be cancelled. Ventures will issue a special voting share to a transfer agent attaching a number of votes equal to the number of Exchangeable Shares at any given time.

As a result of the share exchange described above, the former shareholders of the Company will acquire control of the Ventures. Accordingly, the acquisition of Ventures will be accounted for the purchase method as a recapitalization with the net assets of Ventures recorded at fair market value at the date of acquisition.

b) Effective October 1, 2004, the Company entered into a mining lease and option to purchase agreement for 14 unpatented mining claims in Pershing County, Nevada. Under the agreement, the following payments are required:

Anniversary of agreement	Payment
1	\$ 5,000
2	10,000
3	15,000
4 - 5	20,000
6 - 7	25,000
8	30,000
9	40,000
10 - 20	50,000

The Company will also ensure that the property owner receives stock compensation, to a maximum of 300,000 common shares, of Ventures, sufficient in value to equal the dollar amounts as follows:

Anniversary of agreement	Payment
3	\$ 7,500
4 - 5	10,000
6 - 7	12,500
8	15,000
9	20,000
10 - 20	25,000

The Company must also pay a production royalty of 3% based on the net smelter returns from the production or sale of minerals from the property.

14. SUBSEQUENT EVENTS (cont'd...)

b) *Continued*

The term of the agreement is for twenty years unless terminated, canceled or extended. The Company may terminate the agreement at any time with 30 days notice.

The agreement includes an option to purchase the property for \$100,000 at any time the Company decides to commence development of or mining on the property, or completes a positive feasibility study for these activities.

- c) Effective October 28, 2004, the Company entered into a mining lease with option to purchase two parcels of land in Churchill County, Nevada. The Company paid \$1,600 on the effective date and \$1,600 is required to be paid on each anniversary of the agreement thereafter. The term of the lease is five years.

The Company has the option to purchase the property for the sum of \$18,000 at any time during the term of the lease.

- d) Effective October 28, 2004, the Company executed an agreement for sale of unpatented mining claims under which, for the purchase price of \$6,000, the Company obtains title to six claims in Churchill County, Nevada.

- e) In October 2004, the Company issued 45,500 common shares at \$0.32 per share for proceeds of \$14,560 on the exercise of warrants.

- f) In November 2004, the Company issued 110,500 common shares at \$0.32 per share for proceeds of \$35,360 on the exercise of warrants.

- g) The Company incurred stock-based compensation costs to directors of the Company valued at \$80,000 (Note 6d).

AUEX VENTURES, INC.

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Expressed in U.S. dollars)

JUNE 30, 2004

COMPILATION REPORT ON PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

To the Directors of
AuEx Ventures, Inc.

We have read the accompanying unaudited pro-forma consolidated balance sheet of AuEx Ventures, Inc. (the “Company”) as at June 30, 2004 and the unaudited pro-forma consolidated statement of operations for the period then ended, and have performed the following procedures.

1. Compared the figures in the columns captioned “AuEx Ventures, Inc.” to the audited financial statements of the Company as at June 30, 2004 and for the period then ended, and found them to be in agreement.
2. Compared the figures in the columns captioned “AuEx, Inc.” to the audited financial statements of AuEx, Inc. as at June 30, 2004 and for the year then ended, and found them to be in agreement.
3. Made enquiries of certain officials of the Company who have responsibility for financial and accounting matters about:
 - a) the basis for determination of the pro-forma adjustments; and
 - b) whether the pro-forma consolidated financial statements comply as to form in all material respects with the requirements and policies of the TSX Venture Exchange.

The officials:

- a) described to us the basis for determination of the pro-forma adjustments; and
 - b) stated that the pro-forma consolidated financial statements comply as to form in all material respects with the requirements and policies of the TSX Venture Exchange.
4. Read the notes to the pro-forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro-forma adjustments.
5. Recalculated the application of the pro-forma adjustments to the aggregate of the amounts in the columns captioned “AuEx Ventures, Inc.” and “AuEx, Inc.” as at June 30, 2004 and for the period then ended, and found the amounts in the column captioned “Pro-forma Consolidated” to be arithmetically correct.

Pro-forma consolidated financial statements are based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro-forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro-forma consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Vancouver, Canada

Chartered Accountants

November 3, 2004

AUEX VENTURES, INC.
PRO-FORMA CONSOLIDATED BALANCE SHEET
(Unaudited – See Compilation Report)
(Expressed in U.S. dollars)
AS AT JUNE 30, 2004

	AuEx Ventures, Inc.	AuEx, Inc.	Note	Pro-forma Adjustments	Pro-forma Consolidated
ASSETS					
Current					
Cash	\$ 1	\$ 265,820		\$ -	\$ 265,821
Marketable securities	-	7,500		-	7,500
Prepaid expenses	-	5,316		-	5,316
	1	278,636		-	278,637
Advance to related party	250,000	-	2a	(250,000)	-
Equipment	-	2,645		-	2,645
Mineral properties	-	494,848		-	494,848
	\$ 250,001	\$ 776,129		\$ (250,000)	\$ 776,130
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities	\$ -	\$ 123,897		\$ -	\$ 123,897
Due to related parties	-	10,034		-	10,034
	-	133,931		-	133,931
Shareholders' equity					
Capital stock (Note 3)	1	7,307		-	7,308
Subscriptions received in advance	250,000	250,000	2a	(250,000)	250,000
Contributed surplus	-	796,143		-	796,143
Deficit	-	(411,252)		-	(411,252)
	250,001	642,198		(250,000)	642,199
	\$ 250,001	\$ 776,129		\$ (250,000)	\$ 776,130

AUEX VENTURES, INC.
PRO-FORMA CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited – See Compilation Report)
(Expressed in U.S. dollars)
PERIOD ENDED JUNE 30, 2004

	AuEx Ventures, Inc.		AuEx, Inc.	Pro-forma Adjustments	Pro-forma Consolidated
EXPENSES					
Amortization	\$	-	\$ 763	\$ -	\$ 763
Consulting		-	46,981	-	46,981
Corporate finance fees		-	14,400	-	14,400
Management fees		-	90,000	-	90,000
Office and miscellaneous		-	43,663	-	43,663
Professional fees		-	96,008	-	96,008
Rent		-	8,047	-	8,047
Travel and related		-	10,247	-	10,247
Website development		-	7,200	-	7,200
Loss for the period	\$	-	\$ 317,309	\$ -	\$ 317,309

AUEX VENTURES, INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – See Compilation Report)
(Expressed in U.S. dollars)
JUNE 30, 2004

1. BASIS OF PRESENTATION

AuEx Ventures, Inc. ("the Company") was incorporated to facilitate an initial public offering of AuEx, Inc. in British Columbia and Alberta. AuEx Holdings, Inc. ("Holdings"), the Company's wholly-owned subsidiary, was incorporated for this same purpose, its specific role being to facilitate the Company's indirect acquisition of AuEx, Inc. by way of the merger of it with Holdings when the initial public offering completes.

The Company has entered into an Amended Agreement and Plan of Merger (the "Merger Agreement") with AuEx, Inc. and Holdings, and certain of the shareholders of AuEx, Inc. The Merger Agreement provides for the merger (the "Merger") of AuEx, Inc. into Holdings in accordance with Nevada Revised Statutes, such Merger being a condition of, and to complete immediately after, completion of this offering. As a result of the Merger, the separate corporate existence of AuEx, Inc. will cease and Holdings will continue as the surviving corporation and will succeed to assume all of the rights, properties, liabilities and obligations of AuEx, Inc.

The accompanying unaudited pro-forma consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada from information derived from the financial statements of the Company and AuEx, Inc. together with other information available to the Company. The unaudited pro-forma consolidated financial statements have been prepared for inclusion in the prospectus dated _____, in conjunction with the merger of the Company with AuEx, Inc. The merger is subject to acceptance by the Company's shareholders and certain securities regulatory approvals. In the opinion of the Company's management, the pro-forma consolidated financial statements include all adjustments necessary for fair presentation of the transactions as described below.

The unaudited pro-forma consolidated financial statements are not necessarily indicative of the financial position and results of operations which would have resulted if the combination had actually occurred on June 30, 2004.

The unaudited pro-forma consolidated financial statements should be read in conjunction with the June 30, 2004 audited financial statements of the Company and AuEx, Inc.

The unaudited pro-forma consolidated financial statements of the Company have been compiled from and include:

- a) the audited financial statements of the Company as at June 30, 2004;
- b) the audited financial statements of AuEx, Inc. as at June 30, 2004;
- c) the additional information set out in Note 2.

2. PRO-FORMA TRANSACTIONS

The pro-forma consolidated financial statements were prepared based on the following assumptions:

- a) Advance to related party and subscriptions received in advance of the Company and AuEx, Inc., respectively, are eliminated on consolidation.

AUEX VENTURES, INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – See Compilation Report)
(Expressed in U.S. dollars)
JUNE 30, 2004

2. PRO-FORMA TRANSACTIONS (cont'd...)

- b) The Company will indirectly acquire all of the shares of AuEx, Inc. that it does not own in exchange for 7,307,241 Class B Non-Voting shares of Holdings. The 7,307,241 Class B shares were issued by Holdings to the shareholders of AuEx, Inc. in exchange for all outstanding common shares of AuEx, Inc. not already held by the Company. The Class B Non-Voting shares will carry no material rights except the right of the holder to exchange such shares for common shares of the Company for no additional consideration. The Company holds 100% of the issued Class A voting shares of Holdings. On completion of the merger, all outstanding common shares of AuEx, Inc. will be cancelled.

The Company will then issue 7,307,241 common shares in exchange for the 7,307,241 Class B shares of Holdings held by the former shareholders of AuEx, Inc.

As a result of the share exchange described above, the former shareholders of AuEx, Inc. will acquire control of the Company. Accordingly, the acquisition of the Company is accounted for by the purchase method with the net assets of the Company recorded at fair market value at the date of acquisition.

Since the Company is active, and would not be considered to constitute businesses, the purchase is treated as a recapitalization.

The cost of an acquisition should be based on the fair value of the consideration given, except where the fair value of the consideration given is not clearly evident. In such a case, the fair value of the net assets acquired is used.

As the shares issued on acquisition represent approximately 100% of the Company's issued and outstanding capital stock and the Company's shares are held by directors in common with AuEx, Inc., the value of the shares issued on acquisition is based on the book value of the net assets acquired. The book value of the Company's net assets was \$1.

The total purchase price of \$1 has been allocated as follows:

Cash	\$ 1
Advance to related party	250,000
Subscriptions received in advance	<u>(250,000)</u>
Purchase price	<u>\$ 1</u>

- c) None of the Company's share purchase warrants were considered as exercised.
- d) These unaudited pro-forma consolidated financial statements include information relating only to the merger between the Company and AuEx, Inc. and do not include any other transactions related to the completion of an initial public offering.

AUEX VENTURES, INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – See Compilation Report)
(Expressed in U.S. dollars)
JUNE 30, 2004

3. CAPITAL STOCK

Capital stock as at June 30, 2004 in the pro-forma consolidated financial statements is comprised of the following:

	Number of Shares	Amount
Capital stock as set out in the audited statements of the Company (Note 1a)	1	\$ 1
Capital stock as set out in the audited financial statements of AuEx, Inc. (Note 1b)	7,307,241	7,307
Capital stock of the Company (Note 2b)	-	(1)
Capital stock of AuEx, Inc. (Note 2b)	(7,307,241)	-
Shares issued on the acquisition of AuEx, Inc. (Note 2b)	<u>7,307,241</u>	<u>1</u>
	<u>7,307,241</u>	<u>\$ 7,308</u>

CERTIFICATE OF THE COMPANY

Date: November 26, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the *Securities Act* (British Columbia) and its regulations and Part 9 of the *Securities Act* (Alberta) and the regulations under it.

"Ronald L. Parratt"

Ronald L. Parratt
Chief Executive Officer and President

"Lee A. Graber"

Lee A. Graber
Director
and acting in the capacity of Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

"Richard L. Bedell"

Richard L. Bedell, Jr.
Director

"Dieter A. Krewedl"

Dieter A. Krewedl
Director

PROMOTER

"Ronald L. Parratt"

Ronald L. Parratt
Promoter

"Richard L. Bedell"

Richard L. Bedell, Jr.
Promoter

"Ralph W. Kettell"

Ralph W. Kettell II
Promoter

CERTIFICATE OF THE AGENT

Date: November 26, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the *Securities Act* (British Columbia) and its regulations and Part 9 of the *Securities Act* (Alberta) and the regulations under it.

HAYWOOD SECURITIES INC.

“Frank Stronach”

Name: Frank Stronach

Position: Vice President, Corporate Finance