

SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

Filing Date: **2005-04-14** | Period of Report: **2004-12-31**
SEC Accession No. **0001002014-05-000229**

([HTML Version](#) on secdatabase.com)

FILER

LUNA GOLD CORP

CIK: **1101204** | IRS No.: **980226032** | State of Incorporation: **WY** | Fiscal Year End: **1231**
Type: **10KSB** | Act: **34** | File No.: **333-41516** | Film No.: **05751494**
SIC: **1040** Gold and silver ores

Mailing Address

475 WEST GEORGIA STREET
SUITE 920
VANCOUVER A1 V6B 4M9

Business Address

475 WEST GEORGIA STREET
SUITE 920
VANCOUVER A1 V6B 4M9
(604) 687-9931

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Fiscal Year Ended **December 31, 2004**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

For the transition period from [] to []

Commission file number 333-41516



LUNA GOLD CORP.

(Name of small business issuer in its charter)

Wyoming

98-0226032

(State or other jurisdiction of incorporation or
organization)

(I.R.S. Employer Identification No.)

**Suite 920, 475 West Georgia Street,
Vancouver, British Columbia, Canada V6B 4M9**

(Address of principal executive offices, including postal code)

(604) 689-7317

(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
None

Name of each exchange on which registered
None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

Common Stock

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by referenced in Part III of this Form 10-KSB or any amendment to this Form 10-KSB []

State issuer's revenues for the most recent fiscal year:\$-0-

State the aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the closing price for trading of the issuer's stock on the TSX Venture Exchange as at March 20, 2005:
\$6,143,175

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 24,572,698

**LUNA GOLD CORP.
FORM 10-KSB
TABLE OF CONTENTS**

PART I		Page
Item 1.	Description of Business	5
Item 2.	Description of Property	22
Item 3.	Legal Proceedings	22
Item 4.	Submission of Matters to a Vote of Security Holders	22
PART II		
Item 5.	Market for Common Equity and Related Stockholder Matters	23
Item 6.	Management's Discussion and Analysis or Plan of Operation	25
Item 7.	Financial Statements	33
Item 8.	Changes in and Disagreements with Accountants	51
Item 8A.	Controls and Procedures	51
PART III		

Item 9.	Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act	52
Item 10.	Executive Compensation	56
Item 11.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	60
Item 12.	Certain Relationships and Related Transactions	62
Item 13.	Exhibits and Reports on Form 8-K	63
Item 14.	Principal Accountant Fees and Services	64

CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. Forward-looking statements deal with our current plans, intentions, beliefs and expectations and are statements of future economic performance. Statements containing terms like "believes," "does not believe", "plans", "expects", "intends", "estimates", "anticipates", and other phrases of similar meaning are considered to imply uncertainty and are forward-looking statements.

Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to differ materially from what is currently anticipated. We make cautionary statements throughout this report and the documents we have incorporated by reference, including those stated under the heading "Risk Factors". You should read these cautionary statements as being applicable to all related forward-looking statements wherever they appear in this report, the materials referred to in this report, and the materials incorporated by reference into this report.

We cannot guarantee our future results, levels of activity, performance or achievements. Neither we nor any other person assumes responsibility for the accuracy and completeness of these statements. We are under no duty to update any of the forward-looking statements after the date of this report.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

General

- The Company

We were incorporated under the laws of the Province of British Columbia on June 24, 1986 under the name "Belcarra Resources Ltd." We changed our name to "Belcarra Motors Corp." on October 12, 1994, and to "Predator Ventures Ltd." on September 10, 1997. We were continued to the State of Wyoming effective July 14, 1999 and, on September 9, 1999, we filed Articles of Amendment which increased our authorized capital from 100,000,000 common shares with no par value to unlimited common shares with no par value. On November 16, 1999, we changed our name to wwbroadcast.net, inc. to reflect our streaming media business which we had commenced on July 1, 1999, when we began seeking a suitable Internet-based business for acquisition. On December 3, 1999, we were registered as an extra-provincial company under the Company Act of British Columbia. In a year prior to 2004, after we acquired a mineral exploration property known as the Blue Mountain Project we changed our name to Luna Gold Corp. When we changed our name to Luna Gold Corp. we failed to file a preliminary or definitive proxy statement or information statement with the SEC prior to soliciting our shareholders to approve the name change as required by sections 14(a) or 14(c) of the Securities Exchange Act of 1934. We intend to rectify this matter in the future by making the appropriate filings with the SEC. We are now engaged in the business of exploration.

Business Development of Issuer During Last Three Years

On November 15, 1999, we acquired all rights in and to High Tech Venture Capital Inc.'s business of developing an Internet website and Content Websites to aggregate, distribute and market a selection of streaming media programming (that is, live or archived audio and video programming) via the Internet under the name "Worldwide Broadcast Network". The acquisition was effected pursuant to an Asset Purchase Agreement with High Tech Venture Capital Inc., which had been preceded by a Letter of Intent dated July 9, 1999, and which became effective on November 15, 1999. The assets that were acquired included the ownership of a number of domain names relevant to the implementation of our business model. The consideration for the acquisition was CDN\$70,000 and the issuance of 3,000,000 of our common shares.

Concurrent with the acquisition, we effected the name change to wwbroadcast.net inc., as well as a 2 for 1 share consolidation, such that each of our shareholders received one share of our common stock after consolidation for every two shares of common stock previously held by the shareholder.

Our former website, wwbc.net (the "Website"), became operational on March 9, 2000. The Website offered users access to various subsidiary content distribution websites (the "Content Websites"), through which users with multimedia enabled personal computers or certain other Internet-attached devices could access Internet links to various providers of streaming media programming, organized by logical categories and subcategories to facilitate searches for such programming in a convenient and user-friendly manner. During July 2002 we completed a private placement as well as a 5 for 1 share consolidation, such that each of our shareholders received one share of our common stock after consolidation for every five shares of common stock previously held by the shareholder. In a year prior to 2004, we entered into an option agreement pursuant to which we have the right to acquire the Blue Mountain Project mentioned above.

- 5 -

On August 8, 2003, we changed our name to "Luna Gold Corp." to more accurately reflect our business and the fact that we are focusing our efforts on exploration of the property for precious metal ore deposits.

Our office is located at Suite 920, 475 West Georgia Street, Vancouver, British Columbia, Canada V6B 4M9. The telephone number is (604) 689-7317 and the facsimile number is (604) 688-0094.

Except as otherwise indicated, all information in this registration statement has been restated to give effect to all stock consolidations of our common stock referred to above and elsewhere in this registration statement. Our consolidated financial statements are stated in United States Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

Our business

We are engaged in the acquisition and exploration of mineral properties. During 2004, we entered into option agreements on two separate properties in China's Yunnan Province, Gongguo and Dongchuan, and we received TSX approval on two joint venture properties in Nevada, Red Rock and NBM. Furthermore, by October, we obtained our business licenses from the Ministry of Land and Resources (MOLAR) in Yunnan, giving us the right to perform work on our properties, in an attempt to identify compelling drill targets and in the acquisition of other mineral properties.

We are presently in the exploration stage and there is no assurance that mineralized material exists on our properties or property interests.

As such we do not have any ore body. We have not generated any revenues from our operations.

Our property interests are currently as follows:

Nevada

- Blue Mountain Property (optioned)

- Red Rock (optioned) (formerly LS Property)

China

- Dongchuan Project
- Gongguo Project

- 6 -

Descriptions of these property interests are as follows:

Blue Mountain Property:

Option

We entered into an agreement dated March 20, 2003, with Nassau Ltd. ("Nassau"), a private U.S. company, to acquire its interest in a mineral exploration property located in Nevada. The agreement with Nassau grants us a purchase option on 31 unpatented claims known as the Blue Mountain Project, located in Humboldt County, Nevada. In accordance with the terms of the agreement with Nassau, we, at our option, have the right to acquire a 100% interest in the Blue Mountain Project by issuing 100,000 shares of common stock and making payments totaling \$1,490,000 to Nassau over a six year period. We have made all payments and contributions to Nassau to keep the Blue Mountain agreement in good standing until August 2005.

Location and Access

A good gravel, maintained and all-weather road (the Jungo Road) links the project to Winnemucca. Local access from the Jungo Road (the last five miles to the project area) is via unimproved dirt road, but this road is accessible by a two-wheel drive vehicle.

The Blue Mountain Project is located in the Basin and Range province of Nevada, an area of broad flat basins divided by high mountain ranges. Elevations in the Basin and Range province range from about 4,000 feet to nearly 11,000 feet. Rivers are rare and most drainage is to the nearest basin.

The climate around Blue Mountain is a desert climate characterized by dry warm summers and dry cool winters. Precipitation is less than ten inches per year. At the Blue Mountain project vegetation consists primarily of sage bush, tumbleweeds and grasses.

Property geology

The property is underlain by a thick sequence of older sedimentary rocks consisting of mudstone, siltstone, and sandstone; all of which are regionally metamorphosed to a low degree. Younger felsic and fine-grained basic rocks intrude the above rocks along faults. The felsic rocks are ubiquitous in drill holes within the altered and mineralized zones. Remnant patches of volcanic rocks and volcanic sediments are locally preserved on top of the older rocks.

High- and low-angle faults dissect all rocks on the property. A major west-dipping, low angle fault encountered at depth in drilling separates the two principal older rock formations found on the property. This low- angle fault underlies a large portion of the property, dips west at a shallow angle, and extends further west under pediment cover. This fault is 25 feet to over 100 feet thick, is extensively broken, and is an important zone for localization of non-economic, low-grade gold mineralization found on the property.

Several sets of high-angle faults also dissect all the above rocks and are the principal locus of alteration exposed on the surface of the property. These high-angle faults are potentially the controlling structures for gold mineralization developed along the above-discussed low-angle fault. These high-angle faults carry higher-grade gold mineralization and are important to the structural preparation of all of the rock units.

- 7 -

Prior geologic mapping has identified at least five northeast trending and seven northwest trending faults. Both sets of these faults appear to have been channel ways for mineralizing fluids, as zones of mineralization are found on or surrounding these faults. The north-south faults appear to be the latest set of fault.

The Blue Mountain Project was optioned because geologic evaluation determined that it had sufficient merit to justify further expenditure of money to continue exploration efforts. Also, it is situated in an area which has been postulated to lie along an important structural trend of precious-metal mineralization historically. Carl Hering, one of our Directors, was involved in the evaluation and selection of this property. He has a PhD in Geology from the University of Oregon (1981) and has worked in the exploration and mining industry for over 20 years.

Previous exploration

Numerous mining and exploration companies have worked on the property during the past 20 years as detailed below. Most of our work thus far has centered on compilation and evaluation of this past work however late in 2003 an initial field investigation program was completed.

Geological, alteration mapping and rock chip including trench sampling was initially done by a private US corporation in 1983. Results of this work suggested that a precious metal-bearing system was responsible for the exposed alteration on the property. Billiton Minerals optioned the property from Nassau in 1984 and conducted additional geological mapping and geochemical sampling. In 1985, Billiton began a drilling program. Between 1985 and 1987 Billiton drilled a total of 50 drill holes. Billiton subsequently terminated their option agreement with Nassau.

Subsequently, Prime Exploration carried out an aerial geophysical survey in 1988 and also conducted a ground geophysical survey in the same year. Prime then drilled three core holes and three rotary holes. Prime returned the property to Nassau in 1988.

In 1989, Placer Dome optioned the property from Nassau and undertook a biogeochemical sampling program and a seismic geophysical program in the covered areas of the western portion of the property. Results were negative, and Placer Dome dropped their option on the property in 1990.

Lac Minerals carried out a compilation of previous data in 1991 and drilled 12 new rotary drill holes. LAC relinquished their option on the property.

Blue Desert Mining drilled 11 rotary holes and one large diameter geothermal exploration hole between 1994 and 1998.

The most recent work on the property, prior to our involvement, was conducted by Newmont Gold. Newmont completed an airborne geophysical survey over the property in 2000 and drilled a total of 2,560 feet of rotary and 680 feet of core in five drill holes in 2001.

Zonge Geosciences reinterpreted the Newmont airborne geophysical data for us. Several untested anomalies were identified both under the pediment and along the range front. To date, field investigation of these anomalies by us has just been initiated.

No reserve has currently been defined on the property. Because of the wide drill hole spacing more work is judged to be practical.

There are no permanent facilities, plants, buildings or equipment on the property. All prior drill hole locations, road access routes, and previous disturbances have been reclaimed.

Proposed Exploration Work

To further evaluate the property we proposed a two-stage program.

Stage 1 will include re-processing existing geophysical data, undertaking new geophysical work and completing new surface mapping and sampling. We will also run gravity and magnetics testing. Geologic mapping work and completing new surface mapping and will also be performed. The objective of Stage 1 is to determine targets for drilling.

The first stage was planned to take about eight months, and cost up to \$59,000.

Stage 2 will consist of road construction, reclamation work, and the drilling of up to 2,000 feet of reverse circulation drilling and 2,000 feet of core drilling. Stage 2 will only occur if suitable drill targets are identified. It is our intention to bring in a joint venture partner to share the risk on this stage.

Stage 2 is expected to take about four months and costs up to \$117,000.

Stage 1 Work Completed to Date

Our work has concentrated on identifying which structures are the primary feeder structures, and hence may be connected to the high-grade intercepts from previous drilling. Additionally, thicker, better-grade zones of the tabular low-angle zone were sought. Careful review of previous drilling, and detailed mapping and sampling of structures over the northern portion of the property were the principal techniques involved in this re-evaluation.

Results from this program clearly show that the northeast trending structures are the principal gold bearing structures. Approximately 65% of the samples containing the greater than 0.01 ounces per ton gold occur along northeast trending faults. An east-west trending zone in the northern part of the property was shown to contain 15% of the samples grading better than 0.01 ounces per ton gold. Previous explorers targeted the north-south structures that contain only about 20% of the samples assaying greater than .01 ounces per ton gold. Our work suggests that the north-south structures may be less important than the northeast structures, consequently there are several high-grade targets left to be tested on northeast and east-west trending structures.

Additional planned geophysical work has not yet been carried out, and we are evaluating the need, if at all, for this originally planned work.

Red Rock Property:

Option

On March 4, 2004, we acquired an option on the Red Rock Property (formerly LS Property), and have the right to acquire a 100% interest, in these 80 mineral claims located in

Lander County, Nevada, subject to a retained 3% net smelter royalty. We made an initial \$5,000 payment upon execution of the agreement and would, at our option, make further cash payments totaling \$1,400,000 over a 15 year period. Additionally, we are required to carry out a minimum year-one work program of \$10,000 and must complete a total work program of \$1,400,000 over the 15 year option period.

The schedule of payments is as follows:

Due Date	Cash Payment	Work Commitment
On execution of Agreement	\$ 5,000 (PAID)	--
By Yr. 1 Anniversary	\$ 15,000 (PAID)	\$ 10,000 (Completed)
By Yr. 2 Anniversary	\$ 25,000	\$ 50,000
By Yr. 3 Anniversary	\$ 50,000	\$ 100,000
By Yr. 4 Anniversary	\$ 155,000	\$ 100,000
By Yr. 5 Anniversary	\$ 250,000	\$ 250,000
By Yr. 6 Anniversary	\$ 250,000	\$ 250,000
By Yr. 7 Anniversary	\$ 250,000	\$ 240,000
Each of Yrs. 8 to 15	\$ 50,000	\$ 50,000
TOTAL	\$ 1,400,000	\$ 1,400,000

Location and Access

The Red Rock Property consists of 80 mineral claims (1,600 acres) situated along the Battle Mountain mineral trend, in the Northern Shoshone Range, Lander County, Nevada. The Red Rock gold prospect is accessed via State highway 305 south from Battle Mountain for approximately 20 miles and then 8 miles by the Redrock Canyon-Carico Lake Valley road to the southwest corner of the property. Two-track dirt, 4-wheel drive roads cross the property.

Property Geology

The Red Rock Property is located along the northern margin of a volcanic depression. Data collected and compiled to-date suggests that the claim block contains a potential gold target. Geologically, the area is characterized by poorly

exposed Paleozoic sedimentary rocks, which overlie younger metamorphic rocks and are separated by a low-angle fault. Both low- and high-angle faulting dissect the region. Mapped areas of alteration, with coincident gold and trace element anomalies, define a structural and stratigraphically controlled mineralized zone. The alteration features are characteristic of the sedimentary rock-hosted style of gold mineralization common throughout northern Nevada.

Previous Exploration

The property has only undergone past geologic mapping and limited surface sampling and has never been drill tested.

Work Completed to Date

In 2004, Luna undertook a mapping and sampling program which cost approximately US\$15,000, on a 0.5 km² grid. Soil sampling returned two zones of coincident Au and As anomalies. One of the zones also had elevated base metal signatures. Both zones straddle the main structure on the property, the NW trending Caetano Break (also known as the Wilson Canyon Fault).

- 10 -

Future Work

In keeping with Luna's risk reducing strategy, we are now looking for a joint venture partner to drill the anomalies identified in the first season. If these efforts fail, we will expand the sampling grid along favourable structures in an attempt to expand the soil anomalies and we may pick-up more ground along favourable structure in order to make the package more attractive.

NBM Property:

Option

On March 4, 2004, we acquired an option on the NBM Property, and had the right to acquire a 100% interest in these 36 mineral claims located in Lander County, Nevada, subject to a retained 3% net smelter royalty. We made an initial \$5,000 payment upon execution of the agreement dated March 4, 2004, carried out a first year work program of US\$10,000. However, the results were not compelling enough for us to make the first anniversary payment; therefore, we let the option lapse, and the NBM property is no longer in our portfolio.

China Properties

Dongchuan Project:

Option

On June 2, 2004, we entered into a formal co-operative agreement with Yunnan Nonferrous Mining and Geology Ltd. ("YNMG") pursuant to which we together agreed to establish a Sino-Foreign co-operative joint venture company in the Yunnan Province, PRC. We subsequently were granted a business license and established the joint venture company called the Xinan Mineral Resources Co. Ltd. It was established for the purpose of jointly exploring and, if successful, mining any viable deposits discovered in the Dongchuan area of the Yunnan, Province, PRC. The TSX Venture Exchange has approved the agreement.

Pursuant to the terms of the co-operative agreement, we agreed to invest, at our option, a total of 3.1 million over three years to earn a 70% interest in the co-operative company. After we have earned a 70% interest, at our option, we may earn a further 20 % interest in the co-operative company by investing an additional \$6 million.

If we elect to terminate the co-operative agreement at any time, all unexpended amounts that we may have paid to the co-operative company will be returned to us and all rights to the property will be returned to YNMG.

- 11 -

The schedule of payments is as follows; beginning from the date the joint venture company is successfully incorporated:

Due Date	Investment
By Yr. 1 Anniversary	\$ 600,000
By Yr. 2 Anniversary	1,000,000
By Yr. 3 Anniversary	1,500,000
Total	\$ 3,100,000

Location and Access

The Dongchuan Project encompasses three areas made up of three exploration licenses and two license applications. The three areas are in the rugged northeastern part of Yunnan Province, China. Together the licenses and applications cover a little over 175 square miles. For ease of reference the three areas are referred to in this write-up as the eastern, central and western project areas.

Access to the areas, from the Provincial capital city, Kunming, is obtained by a combination of roads that ranges from good toll freeways near Kunming to primitive local dirt roads on the properties. The local roads are normally passable to 2 wheel drive vehicles with good ground clearance. Some parts of the central and eastern areas may be accessible only by footpaths. In May of 2004 a drive from Kunming to the central area covered about 160 miles and took about 8 hours, including routine meal and fuel stops. A drive from Kunming to the western area took about 10 hours covering 140 miles. Though the western and central areas of the project are only about 20 miles apart, there is no direct road link, so that traveling from one part of the project to another may entail a road trip of about 300 miles.

The project area lies just north of 26 degrees of latitude, and has an extreme range of elevations from about 2,900 feet to close to 9,000 feet above sea level. This produces a considerable range of climates, from sub-tropical at lower elevations to temperate and sometimes cold at the higher elevations. Snowfalls are not common but do occur. There can be up to a meter of precipitation annually, mostly between April and October.

History of the Dongchuan Project

The history of gold exploration is very brief. Regional scale geological maps exist.

Present State of the Project

Late in 2004, Luna initiated stage 1 of its exploration program. This included channel sampling across exposed zones of obvious alteration and the initiation of stream sediment and soil sampling programs.

Property Geology

The sedimentary rocks that dominate in the district are mostly between about 2,000 million years and 600 million years old. They consist of shales, slates, sandstones and dolostones (limestone-like rocks, differing from limestone in their main component mineral). The rocks have been extensively folded and faulted during later episodes of deformation of the earth's crust. The strongest deformation was 200 to 300 million years ago, and at about the same time, some basaltic volcanic rocks erupted and were deposited in the region.

- 12 -

Proposed Program

A recommended exploration program for the Dongchuan Project consists of two stages, the first stage being primarily one of due diligence. We have not yet acquired all of the existing exploration data for the license areas. We need to acquire the information and evaluate it in detail. The first stage also includes some new, relatively low-cost work.

Acquire, assimilate and field check all of the existing data, including but not limited to the original stream sediment survey data, prospecting and rock sampling data, Yunnan

1. Mining's quality control data, and such other information as may exist. The areas highlighted by the stream sediment geochemistry should be re-visited in the field to assess the significance of the anomalies.
2. Complete a satellite image interpretation of the geology of the project area.
3. Assuming that the exploration licenses under application are granted, do reconnaissance geological field studies in the eastern project area, as it has had no prior exploration work. These field studies should be done after the satellite image study, as the latter may help guide the field workers to areas of interest.

Including overheads and administrative costs in China, the Stage 1 program outlined above is expected to cost in the order of US\$112,000.

The second stage of exploration is contingent upon the due diligence and preliminary reconnaissance work in Stage 1 confirming that additional work is merited. The second stage is proposed to consist of:

1. An airborne magnetic and radiometric geophysical survey. Geophysical surveys use instruments that are able to detect certain properties of rocks in the subsurface. This survey would cover all of the project license areas.

Follow-up reconnaissance field work in selected areas of the central project area, which has already been covered by regional stream sediment surveys. The details of this work

2. would depend on the results of the preceding Stage 1 work and the airborne survey. The follow-up work would consist of more detailed stream sediment, soil and rock sampling, geological mapping and ground geophysics.

3. Initial reconnaissance field work in the western project license area, within which there are active iron mines. The reconnaissance field work would consist of regional stream sediment sampling, prospecting and initial geological studies.

4. Assuming that the exploration licenses under application are granted, do additional reconnaissance field work in the eastern project area. This work would consist of regional stream sediment sampling and prospecting.

Including overheads and administrative costs in China, the Stage 2 program outlined above is expected to cost in the order of US\$1.53 million.

- 13 -

The license areas that comprise the Dongchuan Project contain no known reserves of gold mineralization, or known bodies of gold mineralization that could develop into reserves. The program described above is exploratory in nature.

Gongguo Project:

Option

On May 18, 2004 we entered into a formal co-operative agreement with Yunnan Nonferrous Mining and Geology Ltd. ("YNMG") pursuant to which we together agreed to establish a Sino-Foreign co-operative joint venture company in Yunnan Province, PRC. We subsequently were granted a business license and established the joint venture company called the Xinlong Mineral Resources Co. Ltd. It was established for the purpose of jointly exploring and, if successful, mining any viable deposits discovered in the Gongguo area of the Yunnan, Province, PRC. The TSX Venture Exchange has approved the agreement.

Pursuant to the terms of the co-operative agreement, we have agreed to invest, at our option, a total of US\$3.05 million over three years to earn an 80% interest in the co-operative company. After we have earned its 80% interest, contributions to the co-operative company will be made pro rata, provided that YNMG's interest can be diluted to not less than 10% if it elects not to make cash contributions.

If we elect to terminate the co-operative agreement at any time, all unexpended amounts that we may have paid to the co-operative company will be returned to us and all rights to the property will be returned to YNMG.

The schedule of payments, beginning from the date the joint venture company is successfully established, is as follows:

Due Date	Investment Date
By Yr. 1 Anniversary	\$ 540,000
By Yr. 2 Anniversary	\$ 1,000,000
By Yr. 3 Anniversary	\$ 1,510,000
Total:	\$ 3,050,000

As of the date hereof we have not paid any money.

Location and Access

The Gongguo Project is located in the rugged southwestern part of Yunnan Province, China. A good toll freeway connects the area to the provincial capital, Kunming, about 510 kilometers by road to the east. The nearest commercial airport is in the Dali - Xiaguan area, about 120 kilometers by freeway to the east of the project. Once in the project area, access to the Mining and Exploration Licenses that comprise the project is by local roads, paved or unpaved, and by footpaths. Access to the known mineral occurrences is by footpath. The local infrastructure is minimal. The area has a tropical rainforest climate with a rainy season that lasts from about May to the end of October.

- 14 -

History of the Gongguo Project

The gold occurrences known to exist on the Gongguo licenses were discovered as a result of a regional stream sediment survey done by Yunnan Nonferrous Geology and Mining Ltd. in 1998. A stream sediment survey consists of collecting a sample of the fine sediment from a stream channel and sending it to a laboratory to be analyzed for elements of interest, in this case gold. Discovery of an above-normal level of gold in a stream's sediment leads to prospecting of the bedrock in the area drained by the stream. Between 1998 and 2000, exploration work in the project area included prospecting, surface rock sampling, the excavation of shallow trenches to expose bedrock in areas of interest and the driving and sampling of 6 exploration tunnels at one prospect, Xiaoganqin.

Present State of the Property

Late in 2004, Luna initiated stage 1 of its exploration program. This included re-sampling of adits, detailed structural mapping, and the landsat study. A broader scale mapping and sampling program is also ongoing around the Xiaoganqin showing.

Property Geology

The project area is adjacent to a large fault that marks a structural zone between two large land blocks. Rocks in the project area are predominantly Mesozoic sediments, including mudstones, siltstones and sandstones. Where shattered, the rock was permeable, which allowed mineralizing fluids to pass through it. These fluids deposited quartz veins in an irregular network pattern.

Proposed Program

A recommended exploration program at Gongguo consists of two stages, the first stage being comprised of the following components. In part this work is due diligence to validate the earlier work, and in part it is new:

1. Acquire and assimilate all the existing regional exploration data. Re-visit the known occurrences in the field and assess them to determine what additional work is merited.

2. Complete a satellite image interpretation of the geology of the project area.

Review all the exploration data for the Xiaoganqin Prospect. Re-sample the tunnels and surface exposures sufficiently to validate the earlier sampling. Advance the geological mapping with an emphasis on structure and alteration.
- 3.

Including overheads and administrative costs in China, the Stage 1 program outlined above is expected to cost in the order of US\$200,000.

- 15 -

The second stage of work is contingent on success in the first stage, particularly in the due diligence aspects of the first stage. The second stage consists of:

4. An airborne magnetic and radiometric geophysical survey. Geophysical surveys use instruments that are able to detect certain properties of rocks in the subsurface.

5. Grid-based geology, geochemistry and geophysics on target areas confirmed or identified in Stage 1.

Underground exploration, via tunnels, of the Xiaoganqin Prospect. Underground exploration, using local labour, is proposed instead of drilling due the logistical challenge of getting a modern drill and qualified drillers, and finding some way to get the equipment into this rugged and relatively undeveloped area.
- 6.

Including overheads and administrative costs in China, the Stage 2 program outlined above is expected to cost in the order of US\$720,000.

The license areas that comprise the Gongguo Project contain no known reserves, and the program described above is exploratory in nature.

Government Regulation

Exploration activities are subject to various national, state, foreign and local laws and regulations in the United States and China, which govern prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances and other matters. We believe that we are in compliance in all material respects with applicable mining, health, safety and environmental statutes and the regulations passed thereunder in the United States and China.

Environmental Regulation

Our exploration activities are subject to various federal, state and local laws and regulations governing protection of the environment. These laws are continually changing and, as a general matter, are becoming more restrictive. Our policy is to conduct business in a way that safeguards public health and the environment. We believe that our exploration activities are conducted in material compliance with applicable laws and regulations.

Changes to current local, state or federal laws and regulations in the jurisdictions where we operate could require additional capital expenditures and increased operating and/or reclamation costs. Although we are unable to predict what additional legislation, if any, might be proposed or enacted, additional regulatory requirements could render certain exploration activities uneconomic.

Competition

We compete with other exploration companies searching for gold and other precious metals properties. There is competition for the limited number of gold acquisition opportunities, some of which is with other companies having substantially greater financial resources than we do. As a result, we may have difficulty acquiring attractive exploration properties.

- 16 -

We believe no single company has sufficient market power to affect the price or supply of gold in the world market.

Employees

We intend to continue to use the services of consultants for exploration work on our properties. Carl Hering, PhD. Geology, one of our directors, is a geological consultant for our company. We have one employee at this time, our President Tim Searcy.

Risk Factors

Risks associated with our company:

1. Due to our recurring losses, negative cost flows from operations, working capital deficiency and because our officers and directors may not loan any money to us, we may not be able to achieve our objectives and may have to suspend or cease exploration activity.

As we have no producing properties, additional debt or equity financing will be required in the future in order to provide working capital for operations in the future. This debt or equity may not be available on reasonable terms or on any terms at all. Our auditors' report on our 2004 financial statements expresses an opinion that substantial doubt exists as to whether we can continue as an ongoing business for the next twelve months. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. Because the probability of an individual prospect ever having reserves is extremely remote, in all probability our property does not contain any reserves, and any funds spent on exploration will be lost.

Because the probability of an individual prospect ever having reserves is extremely remote, in all probability our property does not contain any reserves, and any funds spent on exploration will be lost. If we cannot raise further funds as a result, we may have to suspend or cease operations entirely which would result in the loss of your investment.

3. We lack an operating history and have losses which we expect to continue into the future. As a result, we may have to suspend or cease exploration activity.

We were incorporated in 1986 and were engaged in the business of streaming media business. In 2003 we changed our business to exploration. We have just recently commenced our exploration activity and have not realized any revenues therefrom. We have no exploration history upon which an evaluation of our future success or failure can be made. Our net loss since incorporation is \$6,338,547. Our ability to achieve and maintain profitability and positive cash flow is dependent upon

- * our ability to locate a profitable mineral property
- * our ability to generate revenues
- * our ability to reduce exploration costs.

Based upon current plans, we expect to incur operating losses in future periods. This will happen because there are expenses associated with the research and exploration of our mineral properties. We may not guarantee we will be successful in generating revenues in the future. Failure to generate revenues will cause us to go out of business.

- 17 -

4. Because the majority of our officers and directors do not have technical training or experience in starting, and operating a mine, we will have to hire qualified personnel. If we can't locate qualified personnel, we may have to suspend or cease exploration activity which will result in the loss of your investment.

Because the majority of our officers and directors are inexperienced with exploring for, starting, and operating a mine, we will have to hire qualified persons to perform surveying, exploration, and excavation of our property. The majority of our officers and directors have no direct training or experience in these areas and as a result may not be fully aware of many of the specific requirements related to working within the industry. Their decisions and choices may not take into account standard engineering or managerial approaches, mineral exploration companies commonly use. Consequently our exploration, earnings and ultimate financial success could suffer irreparable harm due to certain of management's lack of experience in this industry. As a result we may have to suspend or cease exploration activity which will result in the loss of your investment.

5. We have no known ore reserves. Without ore reserves we cannot generate income and if we cannot generate income we will have to cease exploration activity which will result in the loss your investment.

We have no known ore reserves. Without ore reserves, we cannot generate income and if we cannot generate income we will have to cease exploration activity, which will result in the loss of your investment.

6. If we don't raise enough money for exploration, we will have to delay exploration or go out of business, which will result in the loss of your investment.

We are in the very early exploration stage and need the proceeds from our offering to continue our exploration activity. Since there is no minimum and no refunds on sold shares, you may be investing in a company that will not have the funds necessary to continue its exploration activity. If that occurs we will have to delay exploration or cease our exploration activity which will result in the loss of your investment.

7. Because we are small and do not have much capital, we must limit our exploration and as a result may not find an ore body.

Without an ore body, we cannot generate revenues and you will lose your investment.

Because we are small and do not have much capital, we must limit our exploration. Because we may have to limit our exploration, we may not find an ore body, even though our properties may contain mineralized material. Without an ore body, we cannot generate revenues and you will lose your investment.

8. We may not have access to all of the supplies and materials we need to begin exploration which could cause us to delay or suspend exploration activity.

Competition and unforeseen limited sources of supplies in the industry could result in occasional spot shortages of supplies, such as dynamite, and certain equipment such as bulldozers and excavators that we might need to conduct exploration. We have not attempted to locate or negotiate with any suppliers of products, equipment or materials. We will continue to attempt to locate products, equipment and materials. If we cannot find the products and equipment we need, we will have to suspend our exploration plans until we do find the products and equipment we need.

- 18 -

9. Because our officers and directors have other outside business activities and may not be in a position to devote a majority of their time to our exploration activity, our exploration activity may be sporadic which may result in periodic interruptions or suspensions of exploration.

Because our officers and directors have other outside business activities and may not be in a position to devote a majority of their time to our exploration activity, our exploration activity may be sporadic and occur at times which are convenient to our officers and directors. As a result, exploration of our property may be periodically interrupted or suspended.

10. Because title to our Blue Mountain property is held in the name of another entity pending our acquisition thereof, if it transfers our property to someone other than us, we will cease exploration activities.

Title to our Blue Mountain property has not been transferred to us. Title to our property is recorded in the name of Nassau Ltd. If Nassau Ltd. transfers title to another party, it will obtain good title and we will have no continuing interests or rights in this property. If that happens we will be harmed in that we will not own any property and we will have to cease exploration activity.

11. Because we may be unable to meet property payment obligations or be unable to acquire necessary mining licenses, we may lose interests in our exploration properties.

The agreements pursuant to which we acquired our interests in properties provide that we must make a series of cash payments over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute our share of ongoing expenditures. If we fail to make such payments or expenditures in a timely fashion, we

may lose our interest in those properties. Further, even if we do complete exploration activities, we may not be able to obtain the necessary licenses to conduct mining operations on the properties, and thus would realize no benefit from its exploration activities on the properties.

12. Because mineral exploration and development activities are inherently risky, we may be exposed to environmental liabilities. If such an event were to occur it may result in a loss of your investment.

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, none of our properties has a known body of commercial ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in extraction operations and the conduct of exploration programs. Although we carry liability insurance with respect to our mineral exploration operations, we may become subject to liability for damage to life and property, environmental damage, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. There are also physical risks to the exploration personnel working in the rugged terrain of China, often in poor climate conditions. Previous mining operations may have caused environmental damage at certain of our properties. It may be difficult or impossible to assess the extent to which such damage was caused by us or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective. If any of our properties is found to have commercial quantities of ore, we would be subject to additional risks respecting any development and production activities. Most exploration projects do not result in the discovery of commercially mineable deposits of ore.

- 19 -

13. Because we have not put a mineral deposit into production before, we will have to acquire outside expertise. If we are unable to acquire such expertise we may be unable to put our properties into production and you may lose your investment.

We have no experience in placing mineral deposit properties into production, and our ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that we will have available to us the necessary expertise when and if we place mineral deposit properties into production.

14. Because Chinese regulations require the State Administration of Exchange Control to approve the remittance of certain types of income out of China, we may be unable to repatriate our earning. If we are unable to repatriate our earnings from China, you may lose your investment.

Chinese regulations provide that, subject to payment of applicable taxes, foreign investors may remit out of China, in foreign exchange, profits or dividends derived from a source within China. Remittance by foreign investors of any other amounts (including, for instance, proceeds of sale arising from a disposal by a foreign investor of any of his investment in China) out of China is subject to the approval of the State Administration of Exchange Control or its local branch office. No assurance can be given that such approval would be granted if the Company disposes of all or part of its interest in its China projects. Further, there can be no assurance that additional restrictions on the repatriation of earnings in China will not be imposed in the future.

15. Because certain of our mineral interests are in China, you will be exposed to political risk. Such political risk could result in our losing interests in our properties in China. If this occurs you could lose your investment.

Our mineral interests are in China and may be affected by varying degrees of political instability and the policies of other nations in respect of these countries. These risks and uncertainties include military repression, political and labor unrest, extreme fluctuations in currency exchange rates, high rates of inflation, terrorism, hostage taking and

expropriation. Our material mineral interests are currently located in China. Its mining, exploration and development activities may be affected by changes in government, political instability and the nature of various government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond our control and may adversely affect our business and/or holdings. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety factors. Our operations in China entail significant governmental, economic, social, medical and other risk factors common to all developing countries. The status China as a developing country may make it more difficult for us to obtain any required financing because of the investment risks associated with these countries.

- 20 -

16. Because some of our operations are in China we may be adversely affected by economic uncertainty characteristic of developing countries. Such adverse affects could result in a loss of your investment.

Our operations in China may be adversely affected by the economic uncertainty characteristic of developing countries. Operations in China are subject to risks relating to China's relatively recent transition to a market economy administered by a socialist government. While China has recently permitted private economic activities, the government of China has exercised and continues to exercise substantial control over virtually every sector of China's economy through regulation and state ownership. Our prospects, results of operations and financial condition may be adversely affected by political, economic and social uncertainties in China, changes in China's leadership, diplomatic developments and changes or lack of certainty in the laws and regulations of China.

17. Because the acquisition of title to resource properties in China is a very time consuming process that may be subject to dispute. We may not be able to acquire title to our properties. This may result in a loss of the properties and your investment.

The acquisition of title to resource properties or interests therein is a very detailed and time-consuming process. Title to and the area of resource concessions may be disputed. Our resource properties or interests in China are registered or are in the process of being registered in the name of our joint venture companies. There is no guarantee of title to any of our properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Title may be based upon interpretation of the country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change. We have not surveyed the boundaries of any of its mineral properties and consequently the boundaries of the properties may be disputed.

18. Because our joint venture company may require certain approvals to advance our operations we are at risk of not receiving such approvals. If we don't receive the necessary approvals we may lose our property interests resulting in a loss of your investment.

While our JV Companies are authorized to explore for gold on our projects, they are required to obtain further approvals from regulatory authorities in China in order to explore for minerals other than gold or to conduct mining operations. In order for our interest in the JV Company to increase to 90% as contemplated by the joint venture agreements, the JV Company may be required to obtain approvals from Chinese authorities. There is no assurance that such approvals would be granted by the Chinese authorities at all or on terms favourable to the continued operations of the JV Company. The laws of China governing the establishment of joint venture companies are ambiguous, inconsistently applied and subject to reinterpretation or change. While we believe that the JV Company will be properly established and that we have taken the steps necessary to obtain our interest in the projects, there can be no guarantee that such steps will be sufficient to preserve our interests in the project.

- 21 -

19. Because our joint venture partners have more influence with various levels of government we may not be able to protect our property interests in China. If we are unable to protect our interests you may lose your investment.

We operate in China through a joint venture with a government controlled entity. Although this connection benefits us in some respects, there is a substantial inequality with respect to the influence of the respective joint venture parties with the various levels of government. The government holds a substantial degree of subjective control over the application and enforcement of laws and the conduct of business. This inequality would become particularly detrimental if a business dispute arose between joint venture parties. By endeavoring to maintain positive relations with both our joint venture partner and local governments, but there can be no guarantee that these measures will be sufficient to protect our interests in China.

ITEM 2. DESCRIPTION OF PROPERTY

Our offices are located at Suite 920, 475 West Georgia Street, Vancouver, British Columbia, Canada V6B 4M9. During the year, we entered into leasing agreements with respect to office and equipment leases expiring in January 2007. Arrangement has been made for Pathway Capital Ltd., a related party to manage and assume payment of these leases. The company will reimburse Pathway based on estimated usage of office space and other equipments on a cost recovery basis. This facility consists of our office and administration area and houses all of our operations.

ITEM 3. LEGAL PROCEEDINGS

We do not know of any material, active or pending legal proceedings against us; nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to the shareholders in 2004.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

At March 20, 2005, we had approximately 500 shareholders of record of our common stock, including shares held by brokerage clearing houses, depositories or otherwise in unregistered form. The beneficial owners of such shares are not known to us. Our Company's securities are traded on the TSX Venture Exchange under the symbol "lgc.u." The table shows the high and low trades of our company's common stock for 2004 and 2003 for the quarters indicated.

	HIGH (\$)	LOW (\$)	CLOSE (\$)
2004			
Fourth quarter	0.30	0.25	0.29
Third quarter	0.30	0.25	0.255
Second quarter	0.52	0.29	0.30
First quarter	0.50	0.35	0.39
2003			
Fourth quarter	0.50	0.28	0.40
Third quarter	0.30	0.25	0.275
Second quarter	0.22	0.22	0.22
First quarter	0.28	0.12	0.22

The source of this information is Canada Stockwatch. The quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

- 23 -

There are no plans, proposals, arrangements or understandings with any person with regard to the development of a trading market in any of our securities.

We have 1,860,000 outstanding stock options and 8,596,585 outstanding warrants. Of the shares of common stock outstanding as of March 20, 2005, 1,675,000 shares were issued to our officers and directors, and may only be resold in compliance with Rule 144 of the Securities Act of 1933 with the exception of the one-year holding period contained therein.

In January 2005, subsequent to year end, we completed an SB-2 registration in which we are offered up to a total of 9,000,000 shares of common stock on a self underwritten basis, 3,000,000 shares minimum, 9,000,000 shares maximum. The offering price was \$0.30 per share. On January 18, 2005, we closed a private placement of 7,567,835 units at a price of \$0.30 per unit for a total of \$2,270,350. Each unit consists of one common share and one warrant.

We also registered for sale by warrant holders, 1,028,750 Class B Warrants and 1,028,750 shares of common stock underlying the Class B Warrants all of which are presently outstanding. One Class B Warrant entitles a Class B Warrantholder to acquire one additional share of common stock at a price of \$0.25 until August 8, 2004, and \$0.30 until August 8, 2005. The Class B Warrants are exercisable until August 8, 2005 provided that the Class B Warrants are subject to an effective registration statement with the Securities and Exchange Commission.

Holders

As at March 20, 2005, we have 24,572,698 shares issued and outstanding. Based on research into the indirect holdings registered in the names of depositories and financial institutions, we estimate that we have approximately 500 beneficial shareholders.

Dividend Policy

We have never paid cash dividends on our capital stock. We currently intend to retain any profits we earn to finance the growth and development of our business. We do not anticipate paying any cash dividends in the foreseeable future.

Section 15(g) of the Securities Exchange Act of 1934

Our shares are covered by section 15(g) of the Securities Exchange Act of 1934, as amended that imposes additional sales practice requirements on broker/dealers who sell such securities to persons other than established customers and accredited investors (generally institutions with assets in excess of \$5,000,000 or individuals with net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouses). For transactions covered

by the rule, the broker/dealer must make a special suitability determination for the purchase and have received the purchaser's written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of broker/dealers to sell our securities and also may affect your ability to sell your shares in the secondary market.

Section 15(g) also imposes additional sales practice requirements on broker/dealers who sell penny securities. These rules require a one page summary of certain essential items. The items include the risk of investing in penny stocks in both public offerings and secondary

- 24 -

marketing; terms important to in understanding of the function of the penny stock market, such as "bid" and "offer" quotes, a dealers "spread" and broker/dealer compensation; the broker/dealer compensation, the broker/dealers duties to its customers, including the disclosures required by any other penny stock disclosure rules; the customers rights and remedies in causes of fraud in penny stock transactions; and, the NASD's toll free telephone number and the central number of the North American Administrators Association, for information on the disciplinary history of broker/dealers and their associated persons.

Securities Authorized For Issuance Under Equity Compensation Plans

The Company currently has one equity compensation plan. The Incentive Stock Option Plan provides for the issuance of stock options for services rendered to the Company. The board of directors is vested with the power to determine the terms and conditions of the options. The Plan included 4,882,945 shares. To date options to purchase 1,860,000 shares have been granted leaving 3,022,945 shares available for issuance under the Plan.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plan approved by security holders	1,860,000	\$0.28	3,022,945

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Forward Looking Statements

This annual report contains certain forward-looking statements. Much of the information included in this report includes or is based upon estimates, projections or other "forward looking statements". Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always

vary, sometimes materially, from any estimates, prediction, projections, assumptions or other future performance suggested herein.

Such estimates, projections or other "forward looking statements" involve various risks and uncertainties as outlined below. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward looking statements."

The following discussion should be read in conjunction with our historical Financial Statements and contained herein.

- 25 -

Critical Accounting Policies

Our discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments.

The going concern basis of presentation assumes we will continue in operation throughout the next fiscal year and into the foreseeable future and will be able to realize our assets and discharge our liabilities and commitments in the normal course of business. Certain conditions, discussed below, currently exists which raise substantial doubt upon the validity of this assumption. The financial statements do not include any adjustments that might result from the outcome of the uncertainty.

Our future operations are dependent upon our ability to obtain third party financing in the form of debt and equity and ultimately to generate future profitable operations or income from its investments. As of December 31, 2004, we have not generated revenues, and have experienced negative cash flow from operations. We may look to secure additional funds through future debt or equity financings. Such financings may not be available or may not be available on reasonable terms.

Overview

We are a mineral exploration company engaged in the acquisition, exploration and development of mineral properties, with a focus on precious metals in China and Nevada.

Our financial statements contained in this annual report have been prepared on a going concern basis, which assumes that we will be able to realize our assets and discharge our obligations in the normal course of business. We incurred net losses from operations for the year ended December 31, 2004, 2003 and for the period from the inception of our mining business as of January 20, 2003, to December 31, 2004 of \$1,075,744, \$473,676 and \$1,542,432, respectively.

The loss increased over the prior year period due to higher consulting and professional fees and travel related expenses during the year relating to increased activities. During the year, we performed further analysis work on the Blue Mountain and option additional properties in Nevada and China. Professional Fees also increased as we obtained approval and negotiate a private placement. A private placement was closed on January 18, 2005 in the amount of \$2,270,350. We did not earn any revenue during the year ended December 31, 2004 and, 2003.

- 26 -

Our property interests are as follows:

Blue Mountain Property

The Blue Mountain Project is located in the Basin and Range province of Nevada, an area of broad flat basins divided by high mountain ranges. In 2003, we entered into an option to acquire 100% interest in 31 claims by issuing 100,000 shares and payment of \$1,490,000 over a six year period. The vendor will retain a 2% net smelter royalty, half of which we can purchase for \$1,500,000 at any time prior to completion of first year of production.

Due to variable work requirements across our various projects, we did little field work on the Blue Mountain project in 2004.

We intend to do more structural mapping in attempt to better define the high grade structures and will reinterpret the drill hole database to identify thicker or higher grade regions of the tabular zone. Reconnaissance work in areas off the claim block will also be undertaken in attempt to identify further targets with the aim of expanding the land package. We will actively look for a joint venture partner to drill test the identified targets.

Red Rock Property (Formerly LS Property)

In March 2004, we acquired an option on the Red Rock Property which gives us the right to acquire a 100% interest in these 80 mineral claims located in Lander County, Nevada, subject to a retained 3% net smelter royalty. We made an initial \$5,000 payment upon execution of the agreement, on March 4, 2004, and would, at our option, make further cash payments totaling \$1,400,000 over a 15 year period.

NBM Property

In March 2004, we acquired an option on the NBM Property and had the right to acquire a 100% interest in these 36 mineral claims located in Lander County, Nevada, subject to a retained 3% net smelter royalty. We made an initial \$5,000 payment upon execution of the agreement, dated March 4, 2004, carried out a first year work program of US\$10,000. However, the results were not compelling enough for us to make the first anniversary payment; therefore, we let the option lapse, and the NBM property is no longer in our portfolio.

Dongchuan Project

On June 2, 2004, we entered into a formal co-operative agreement with Yunnan Nonferrous Mining and Geology Ltd. ("YNMG") to establish Xinan Mineral Resources Co. Ltd. ("Xinan"), a Sino-Foreign co-operative joint venture company in the Yunnan Province, PRC, to jointly explore and, if successful, mine any viable deposits discovered in the Dongchuan area of the Yunnan, Province, PRC.

We agreed to invest, at our option, a total of US\$3.1 million over three years to earn a 70% interest in the Xinan. We may earn a further 20 % interest by investing an additional US\$6 million. We may elect to terminate the co-operative agreement at any time, all unexpended amounts that we may have paid to Xinan will be returned to us and all rights to the property will be returned to YNMG.

The schedule of payments is as follows; beginning from October 12, 2004, the date the joint venture company is successfully incorporated:

Due Date	Investment
By Yr. 1 Anniversary	\$ 600,000
By Yr. 2 Anniversary	1,000,000
By Yr. 3 Anniversary	1,500,000
Total:	\$ 3,100,000

At December 31, 2004, we have invested \$269,391 into the project.

Late in 2004, field crews began training, and a mapping and sampling program was initiated. Data from historic work has been compiled and it indicates Au and As soil anomalies that need to be followed up. Several targets were also identified by a landsat study.

Our work program will have two stages. The first stage will consist of soil sampling to confirm previously identified anomalies, stream sampling to identify other areas of interest, and ground truthing of landsat anomalies. Detail follow-up sampling and mapping will be done on any anomalies. If the detailed follow up work identifies zones of bedrock mineralization, the second stage would consist of ground geophysics, drilling, or tunneling. We will attempt to bring in a joint venture partner for this stage.

Gongguo Project

On May 18, 2004 we entered into a formal co-operative agreement with Yunnan Nonferrous Mining and Geology Ltd. ("YNMG") pursuant to which we together agreed to establish Xinlong Mineral Resources Co. Ltd. ("Xinlong"), a Sino-Foreign co-operative joint venture company in Yunnan Province, PRC, to jointly explore and, if successful, mine any viable deposits discovered in the Gongguo area of the Yunnan, Province, PRC.

Luna agreed to invest, at our option, a total of US\$3.05 million over three years to earn an 80% interest in Xinlong. After Luna has earned its 80% interest, contributions to the co-operative company will be made pro rata if YNMG cannot meet its commitments their position will be diluted to a minimum of 10%. We may elect to terminate the co-operative agreement at any time, all unexpended amounts that we may have paid to the Xinlong will be returned to us and all rights to the property will be returned to YNMG.

The schedule of payments, beginning from October 12, 2004 the date the joint venture company is successfully established, is as follows:

Due Date	Investment
By Yr. 1 Anniversary	\$ 540,000

By Yr. 2 Anniversary		1,000,000
By Yr. 3 Anniversary		1,510,000
		<hr/>
Total	\$	3,050,000
		<hr/>

At December 31, 2004, we have invested \$162,441 into the project.

A mapping and sampling program began in December, 2004, and no results were generated before year end. Data from historic work was compiled and reviewed, and a landsat study was undertaken in attempt to identify zones of alteration and structure.

Our work program will be carried out in two stages, the first being a continuation of the mapping and sampling started in 2004. This stage can be broken down into detail work around known zones of mineralization and reconnaissance work on a more regional basis. Most of the work to date has focused in and around the main zone of mineralization, Xiaoganqin. Alteration zones identified in the landsat study will be ground truthed in this stage as well.

- 28 -

Upon completion of the first stage, the results will be reviewed and drill (tunneling) targets identified. We will attempt to bring in a joint venture partner at this stage.

Our anticipated exploration costs for our respective properties, over the next twelve months are as follows:

Blue Mountain Project	\$	15,000
Red Rock (LS)		50,000
Gongguo Project		350,000
Dongchuan Project		390,000
		<hr/>
	\$	805,000
		<hr/>

All exploration work will be dependent upon our ability to successfully complete further public offering or have a sufficient amount of warrants exercised.

Government Regulation

Mining operations and exploration activities are subject to various national, state, and local laws and regulations in the United States, which govern prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances and other matters. We believe that we are in compliance in all material respects with applicable mining, health, safety and environmental statutes and the regulations passed thereunder in the United States and China.

Environmental Regulation

Our mining operations and exploration activities are subject to various federal, state and local laws and regulations governing protection of the environment. These laws are continually changing and, as a general matter, are becoming more restrictive. Our policy is to conduct business in a way that safeguards public health and the environment. We believe that our operations are conducted in material compliance with applicable laws and regulations.

Changes to current local, state or federal laws and regulations in the jurisdictions where we operate could require additional capital expenditures and increased operating and/or reclamation costs. Although we are unable to predict what additional legislation, if any, might be proposed or enacted, additional regulatory requirements could render certain mining operations uneconomic.

Competition

We compete with other mining companies in connection with the acquisition of gold and other precious metals properties. There is competition for the limited number of gold acquisition opportunities, some of which is with other companies having substantially greater financial resources than we do. As a result, we may have difficulty acquiring attractive gold mining/exploration properties.

We believe no single company has sufficient market power to affect the price or supply of gold in the world market.

- 29 -

New Directors

During May 2004, Mr. Kit Lee joined the Board of Directors of Luna. Kit worked at Placer Dome Inc. from 1970 to 1987, as a Senior Geologist in charge of project generation in South East Asia, and has extensive experience in China. In 1987, Kit joined Niugini Mining Ltd. as Exploration Manager Asia. From 1994 to 2000, Kit was the President of Zen International Resources Ltd., which he founded with a mandate to investigate mining opportunities in China. During his tenure at Zen, Kit identified a package of very attractive gold and copper projects in China. Zen obtained full governmental approvals for the first Sino-Foreign Joint Venture for the Zijinshan gold copper project located in the Fujian Province.

In June 2004, Mr. Tim Searcy has been appointed president and chief executive officer. Tim worked in the corporate offices of Placer Dome where he held positions in Treasury, and more recently Corporate Development (M&A). Before joining Placer Dome, Tim worked as an exploration geologist in Canada and Asia. As an exploration geologist, Tim worked with Falconbridge and BHP, as well as a number of junior companies.

Results of Operations

We have included in this report financial statements for the years ended December 31, 2004 and 2003 and the period from January 20, 2003 (being the date of inception of our new business) to December 31, 2004.

Year ended December 31, 2004

We incurred a net loss of \$1,075,744 (2003: \$473,676) for year ended December 31, 2004, resulting in a loss per share of \$0.07 (2003: \$0.04). The loss was attributable to operating expenses of \$1,046,253 (2003: \$468,561), and foreign exchange loss of \$29,491 (2003: \$5,115).

During the year we incurred \$23,440 (2003: nil) in business development, \$1,125 (2003: \$1,295) in depreciation and amortization, \$182,823 (2003: \$70,425) in consulting fees, \$198,948 (2003: nil) in equity loss from operation of joint ventures, \$159,821 (2003: \$204,917) in exploration expense, \$13,221 (2003: \$21,137) in filing fees, \$53,395 (2003: \$32,516) in general and administrative expenses, \$23,049 (2003: \$21,486) in management fees, and \$138,860 (2003: \$82,022) in professional fees, \$29,596 (2003: \$25,783) in rent, \$1,096 (2003: nil) in organization expense and \$154,207 (2003: nil) in travel and conference.

Expenses increased over the prior year period due to the increased activities as we continue our exploration and acquisition activities in Nevada and China. We recognized a loss of \$198,948 relating to exploration expenses incurred by our joint venture companies in China. Business development relates to expenses customarily incurred in establishing business contacts in China. Consulting fees increased as we contracted several geologists, including a director, to perform certain exploration activities. We also retained the services of director Kit Lee. Mr. Lee will be focused on property generation as well as assisting in exploration. We have also accrued professional fees for work performed on an SB-2 registration with the SEC. Equity in operation of resource properties joint ventures relates to our share of losses relating to the operations of the joint venture projects in China. The majority of the exploration expense related to work performed on our Blue Mountain Property. This work included mapping,

- 30 -

sampling, data compilation and claims fees. Also included in exploration expense are staking fees on the NBM and Red Rock Properties which were acquired during the year ended December 31, 2004. Exploration expense also includes costs related to area reconnaissance work. The exploration expenses related to Blue Mountain was as follows: \$51,750 in geologist fees and \$48,880 in staking fees. Management fees were constant as the monthly charge is approximately \$1,675 per month. Professional fees increased as we incurred legal and accounting fees in preparing an SB-2 registration statement, as well as to draft the joint-venture agreements in China. Travel fees increased due to travel to, and within China for our project generation activities.

Year ended December 31, 2003

We incurred a net loss of \$473,676 for the year ended December 31, 2003, resulting in a loss per share of \$0.04. The loss was attributable to operating expenses of \$468,561 and a foreign exchange loss of \$5,115.

During the period we incurred consulting fees of \$70,425 and \$1,295 in depreciation and amortization, \$25,783 in rent, \$8,353 in marketing and promotion, \$21,137 in filing fees, \$21,486 in management fees, \$32,516 in general and administrative expenses \$204,917 in exploration expense and \$82,022 in professional fees. Expenses increased over the prior year period due to the increased activity resulting from our entering the mining business. We spent \$204,917 on exploration activity compared to nil in the previous year's period as we entered the mining business during the year. The majority of the exploration expense relates to work performed on the Company's Blue Mountain Property. This work included mapping, sampling data compilation and claims fees. Exploration expense also includes costs related to area reconnaissance work. Professional fees increased due to increased filing and reporting activities due to our entering the mining business. Professional fees also increased due to our legal work involved in preparing a SB-2 registration statement. Management fees decreased due to a reduction in the monthly charge to approximately \$1,675 per month. Consulting expense increased as we contracted geologists, including a director of the company, to perform certain exploration activities. Exploration expense consists of monies spent on the due diligence evaluation of several prospective exploration properties including the Blue Mountain Property. General and administrative expenses

increased as a result of the Company's increased activity. These activities include increased travel, office and communications expense.

Period of inception of the mining business, January 20, 2003 to December 31, 2004

We incurred a net loss of \$1,542,432 for the period of inception to December 31, 2004, resulting in a loss per share of \$0.12. The loss was attributable to operating expenses of \$1,507,823 and foreign exchange loss of \$34,609.

During the period we incurred \$23,440 in business development, \$2,310 in depreciation and amortization, \$253,248 in consulting fees, \$198,948 in equity loss in operations of joint ventures, \$362,738 in exploration expense, \$34,358 in filing fees, \$84,790 in general and administrative expenses, \$43,520 in management fees, \$1,096 in organization expense, \$219,374 in professional fees, \$54,162 in rent and \$154,207 in travel expense. We recognized a \$198,948 expense relating to exploration expenses incurred by our joint venture companies in China.

- 31 -

Business development relates to expenses incurred in establishing business contacts in China. Consulting fees increased as we contracted several geologists, including a director, to perform certain exploration activities. We also retained the services of director Kit Lee. We agreed to compensate Mr. Lee retro-active to November 2003 as this is when he began his efforts to acquire properties in China. Mr. Lee will be focused on property generation as well as assisting in exploration. Equity in operation of resource properties joint ventures relates to our share of losses relating to the operations of the joint venture projects in China. The majority of the exploration expense related to work performed on our Blue Mountain Property. This work included mapping, sampling, data compilation and claims fees. Also included in exploration expense are staking fees on the NBM and Red Rock Properties (see our 2003 10-KSB for further information on the properties), which were acquired during year ended December 31, 2004. Exploration expense also includes costs related to area reconnaissance work. The exploration expenses related to Blue Mountain was as follows: \$119,781 in geologist fees. We also spent \$127,736 in staking fees. General and Administrative expense increase as supporting activities increased including office and communication expense. Management fees were constant as the monthly charge is approximately \$1,675 per month. Professional fees increased as we incurred legal fees in preparing a SB-2 registration statement, as well as to draft the joint-venture agreements in China and also to file an SB-2 registration statement with the SEC. Travel fees increased due to travel to, and within China for project generation activities.

Balance Sheets

Total cash and cash equivalents as at December 31, 2004 and 2003, were respectively, \$1,497,859 and \$11,483. Working capital as at December 31, 2004 and 2003, were respectively, \$826,605 and \$(40,024).

The increase in working capital between December 31, 2004 and December 31, 2003 was primarily attributable to advances from related parties and subscriptions received in advance of share offering offset by operating expenses of \$1,046,253. No revenue was generated during the period.

Total share capital as at and December 31, 2004 and 2003, was respectively, \$5,628,926 and \$5,068,305. Total shares outstanding as at December 31, 2004 and 2003, was respectively, 17,004,863 and 12,441,946.

Current Capital Resources and Liquidity

Our capital resources have been limited. We currently do not, and will not, generate revenue for business operations in the foreseeable future, and to date have relied on the sale of equity and related party loans for cash required for our operations. There can be no assurances that any outstanding share purchase warrants will be exercised.

On January 18, 2005, we closed a private placement of 7,567,835 units at a price of \$0.30 per unit for a total of \$2,270,350. There can be no assurances that we can obtain future additional financing on terms reasonably acceptable to us or at all. The lack of capital may force us to curtail our operating activities and potential investment activities.

- 32 -

During the year, we entered into leasing agreements with respect to office and equipment leases expiring in January 2007. Arrangement has been made for Pathway Capital Ltd., a related party to manage and assume payment of these leases. The company will reimburse Pathway based on estimated usage of office space and other equipments on a cost recovery basis. The 2005 lease obligation for the office space is estimated to be \$17,166.

ITEM 7. FINANCIAL STATEMENTS.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F-1
FINANCIAL STATEMENTS	
	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Stockholder's Equity (Deficiency)	F-6
Consolidated Statements of Cash Flows	
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS	F-7

Consolidated Financial Statements

LUNA GOLD CORP.

(Expressed in United States dollars)

Years ended December 31, 2004 and 2003

Period from January 20, 2003 (inception of new business)
to December 31, 2004

**REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

We have audited the accompanying consolidated balance sheets of Luna Gold Corp. (a Development Stage Enterprise) as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity (deficiency) and cash flows for the years ended December 31, 2004 and 2003 and for the period from January 20, 2003 (inception of new business) to December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Luna Gold Corp. inc. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years ended December 31, 2004 and 2003 and for the period from January 20, 2003 (inception of new business) to December 31, 2004, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 1 to the financial statements, the Company has suffered recurring losses and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ "KPMG LLP"
March 22, 2005
Chartered Accountants
Vancouver, Canada

LUNA GOLD CORP.

(Expressed in United States dollars)

Consolidated Balance Sheets

	December 31, 2004	December 31, 2003
Assets		

Current assets:

Cash and cash equivalents	\$ 1,497,859	\$ 11,483
Amounts receivable	11,435	1,919
Prepaid expenses	6,023	11,507
<hr/>	<hr/>	<hr/>
Total current assets	1,515,317	24,909
Equipment (note 4)	4,788	3,008
Investments in resource property joint ventures (note 2(j))	251,197	--
<hr/>	<hr/>	<hr/>
Total assets	\$ 1,771,302	\$ 27,917
<hr/>	<hr/>	<hr/>

Liabilities and Stockholders'
Deficiency

Current liabilities:

Accounts payable and accrued liabilities	\$ 62,192	\$ 18,715
Note Payable	49,997	--
Payables to related parties (note 7)	576,523	46,218
<hr/>	<hr/>	<hr/>
Total current liabilities	688,712	64,933

Subscriptions received in advance of share offering (note 10)	1,639,065	--
<hr/>		
Total liabilities	2,327,777	64,933
Stockholders' equity (deficiency):		
Common stock, no par value, unlimited authorized shares; issued 17,004,863 at December 31, 2004 and 12,441,946 at December 31, 2003 (note 6)	5,628,926	5,068,305
Additional paid-in capital	182,746	182,746
Deficit before inception of new business (note 1)	(4,796,115)	(4,796,115)
Deficit accumulated since inception of new business (note 1)	(1,542,432)	(466,688)
Accumulated other comprehensive income:		
Cumulative translation adjustment	(29,600)	(25,264)
<hr/>		
Total stockholders' deficiency	(556,475)	(37,016)
<hr/>		
Total liabilities and stockholders' deficiency	\$ 1,771,302	\$ 27,917
<hr/>		

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

/s/ "Timothy Searcy"

Timothy Searcy, Director

/s/ "Marcel de Groot"

Marcel de Groot, Director

LUNA GOLD CORP.

(Expressed in United States dollars)

Consolidated Statements of Operations

	Year ended December 31,		Period from January 20, 2003 (inception of new business) to December 31, 2004
	2004	2003	
Operating Expenses:			
Business development	23,440	--	23,440
Consulting fees	182,823	70,425	253,248
Depreciation and Amortization	1,125	1,295	2,310
Marketing and promotion	2,309	8,353	10,662
Equity in loss from operation of resource properties joint ventures	198,948	--	198,948
Exploration expense	159,821	204,917	362,738
Filing fees	13,221	21,137	34,358
General and administrative	53,595	32,516	84,790
Investor relations	21,448	627	22,075

Management fees to related parties (note 7)	23,049	21,486	43,520
Organization expense	1,096	--	1,096
Professional fees	138,680	82,022	219,374
Rent	29,596	25,783	54,162
Travel and conference	154,207	--	154,207
Wages and benefits	42,895	--	42,895
Total Expenses	1,046,253	468,561	1,507,823
Loss from operations	(1,046,253)	(468,561)	(1,507,823)
Foreign exchange loss	(29,491)	(5,115)	(34,609)
Net loss for the period	\$ (1,075,744)	(473,676)	\$ (1,542,432)
Loss per common share, basic and diluted	\$ (0.07)	(0.04)	\$ (0.12)
Weighted average number of common shares outstanding:			
Basic and diluted	14,846,993	11,055,644	13,029,628

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

(Expressed in United States dollars)

Consolidated Statements of Stockholders' Equity (Deficiency)

	Common Shares		Additional	Deficit accumulated
	Shares	Amount	Paid-In	Prior to Inception of New Business
Balance, December 31, 2002	10,141,946	\$ 4,608,305	\$ 182,746	\$ (4,789,127)
Loss for the period	--	--	--	(6,988)
Issuance of common stock on private placement (August 8, 2003)	2,250,000	450,000	--	--
Issuance of common stock for exploration (August 8, 2003)	50,000	10,000	--	--
Adjustment to cumulative translation account	--	--	--	--
Balance, December 31, 2003	12,441,946	\$ 5,068,305	\$ 182,746	\$ (4,796,115)
Loss for the period	--	--	--	--
Issuance of common stock on exercise of warrants issued on August 8, 2003 private placement (Note 5)	96,250	24,063	--	--
Issuance of common stock on exercise of warrants on June 30, 2004	4,416,667	523,558	--	--
Issuance of common stock for exploration (August 8, 2004)	50,000	13,000	--	--
Adjustment to cumulative translation account	--	--	--	--
Balance, December 31, 2004	17,004,863	\$ 5,628,926	\$ 182,746	\$ (4,796,115)

	Deficit Accumulated Since Inception of New Business	Cumulative Translation Adjustment	Total Stockholders' Equity (Deficiency)	Comprehensive Income (loss)
Balance, December 31, 2002	\$ --	\$ (21,563)	\$ (19,639)	\$ (149,369)
Loss for the period	(466,688)	--	(473,676)	(473,676)
Issuance of common stock on private placement (August 8, 2003)	--	--	450,000	--
Issuance of common stock for exploration (August 8, 2003)	--	--	10,000	--
Adjustment to cumulative translation account	--	(3,701)	(3,701)	(3,701)
Balance, December 31, 2003	\$ (466,688)	\$ (25,264)	\$ (37,016)	\$ (477,377)
Loss for the period	(1,075,744)	--	(1,075,744)	(1,075,744)
Issuance of common stock on exercise of warrants issued on August 8, 2003 private placement (Note 5)	--	--	24,063	--
Issuance of common stock on exercise of warrants on June 30, 2004	--	--	523,558	--
Issuance of common stock for exploration (August 8, 2004)	--	--	3,000	--
Adjustment to cumulative translation account	--	(4,336)	(4,336)	(4,336)
Balance, December 31, 2004	\$ (1,542,432)	\$ (29,600)	\$ (556,475)	\$ (1,080,080)

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

LUNA GOLD CORP.(Expressed in United States dollars)
Consolidated Statements of Cash Flows

	Year ended December 31,		Period from January 20, 2003 (inception of new business) to Dec. 31,
	2004	2003	2004
Cash flow from operating activities:			
Net loss	\$ (1,075,744)	\$ (473,676)	\$ (1,542,432)
Items not affecting cash:			
Depreciation and amortization	1,125	1,295	2,310
Issuance of shares for exploration	13,000	10,000	23,000
Equity in loss from operations	198,948	--	198,948
Changes in operating assets and liabilities:			
Amounts receivable	(9,516)	(1,831)	(11,347)
Prepaid expenses	5,484	(11,507)	(6,022)
Accounts payable and accrued liabilities	43,477	(1,285)	39,406
Note payable	49,997		49,997
Net cash used in operating activities	(773,229)	(477,004)	(1,246,140)
Cash flow from investing activities:			
Purchase/disposal of equipment	(2,905)	(3,332)	(6,237)
Investment in resource properties joint ventures	(450,145)		(450,145)

Net cash used in investing activities	(453,050)	(3,332)	(456,382)
<hr/>			
Cash flow from financing activities:			
Notes payable to related parties	--	--	--
Payable to Related Parties	530,305	11,958	538,129
Proceeds from issuance of shares for cash		450,000	450,000
Proceeds from exercise of warrants issued on August 8, 2003 private placement	24,063	--	24,063
Proceeds from exercise of warrants on June 30, 2004	523,558	--	523,558
Proceeds from subscriptions received in advance of share offering	1,639,065	--	1,639,065
<hr/>			
Net cash provided by financing activities	2,716,991	461,958	3,174,815
<hr/>			
Increase (decrease) in cash and cash equivalents	1,490,712	(18,378)	1,472,293
Effect of exchange rate changes on foreign currency denominated cash balances	(4,336)	(4,009)	(8,304)
Cash and cash equivalents, beginning of period	11,483	33,870	33,870
<hr/>			
Cash and cash equivalents, end of period	1,497,859	\$ 11,483	\$ 1,497,859
<hr/>			
Supplemental disclosure:			
Interest paid (received) net	--	\$ --	\$ --
Income taxes	--	--	--
Issuance for common stock for exploration	13,000	10,000	23,000

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

LUNA GOLD CORP.

Consolidated Notes to Financial Statements
(Expressed in United States dollars)

Year ended December 31, 2004 and 2003

Period from January 20, 2003 (inception of new business) to December 31, 2004

1. Nature of Operations:

The Company was incorporated on June 24, 1986 in British Columbia, Canada. In July 1999, the Company redomiciled to Wyoming State, USA. From July 1999 until January 2003, as described in the Company's consolidated financial statements filed with the 2003 annual report on Form 10-KSB, the Company's focus was on the streaming-media business. These efforts ceased in January 2003 as the Company refocused its efforts from the streaming-media business and entered the mining exploration business (note 3). As the Company has no producing properties, the Company is considered to be in the exploration stage and financial information from January 20, 2003, the inception of the mining business, has been presented in these financial statements. Additional debt or equity financing will be required from existing shareholders or third parties in order to provide working capital for operations in the future. This debt or equity may not be available on reasonable terms or on any terms at all.

These financial statements have been prepared on a going concern basis in accordance with United States generally accepted accounting principles. The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Certain conditions, described below, currently exists which raise substantial doubt upon the validity of this assumption. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. Significant Accounting Policies:

(a) Basis of presentation:

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States. There is no material measurement differences to these financial statements to Canadian generally accepted accounting principles (see note 10).

In the opinion of management, these financial statements reflect all adjustments (consisting solely of normal recurring accruals) considered necessary for a fair presentation of the financial position as at December 31, 2004 and 2003 and results of operations and cash flows for the years ended December 31, 2004 and 2003, and the period from January 20, 2003 (inception of new business) to December 31, 2004.

2. Significant Accounting Policies (Cont'd):

(b) Principles of consolidation:

These consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries Compania Minera Antero gold S.A. de C.V., Eureka Gold Inc., Luna Gold (China) Corp. and Luna Gold (Liaoning) Corp. All significant inter-company transactions and balances have been eliminated.

(c) Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and reasonable assumptions which impact the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the balance sheets, and the reported amounts of revenues and expenses during the reporting periods. Actual amounts may differ from these estimates.

(d) Foreign currency:

The Company uses the United States dollar as its reporting currency.

Canadian operations, which have the Canadian dollar as the functional currency, are translated to United States dollars as follows: assets and liabilities are translated at the exchange rate at the balance sheet date. Revenues and expenses are translated at the average rate for the period. Exchange gains and losses resulting from the translation are excluded from the determination of income and reported as the cumulative translation adjustment in stockholder's equity.

Other exchange gains and losses arising on the settlement of foreign currency denominated monetary items are included in the statement of operations.

(e) Equipment:

Equipment is recorded at cost. Depreciation is provided for at the following annual rates:

Asset	Basis	Estimated Useful life
Computer hardware and software	straight-line method	3 years

2. Significant Accounting Policies (Cont'd):

(f) Stock options and stock-based compensation:

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees", and related interpretations, in accounting for its fixed stock option plan. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. Compensation expense for stock options is recognized over the vesting period. Options granted to other than employees and directors are measured at their fair value as the services are performed and the options earned. For the years ended December 31, 2004 and 2003, no stock-based compensation has been recognized in expenses.

If the fair-value method had been used, an additional expense of \$182,472 would have been recognized for stock-based compensation for the year ended December 31, 2004, and \$208,408 the period from inception of new business on January 20, 2003 to December 31, 2004. Pro forma basic and diluted loss per share would have been \$0.08, and \$0.13 respectively.

The fair value has been calculated using the Black-Scholes option pricing model and the following factors: volatility - 90%; risk-free interest rate - 5%; dividend yield - nil; term - five years. The fair value of each option granted in 2004 is \$0.22 (2003 - \$0.18).

(g) Loss per share:

Basic loss per share is calculated based on the weighted average number of common shares outstanding during the periods. Excluded from the weighted average number of common shares are 213,839 common shares (December 31, 2003 - 213,839) held in escrow that are to be released based on financial performance criteria (note 6 (a)).

Diluted loss per share is computed using the weighted average number of common and potentially dilutive common shares outstanding during the period. Excluded from the calculation of diluted loss per share are 1,860,000 stock options (2003 - 810,000).

(h) Income taxes:

Income taxes are accounted for under the asset and liability method. Current taxes are recognized for the estimated income taxes for the current period. Deferred 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 and the benefit of operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets when it is not more likely than not that such deferred tax assets will be realized.

2. Significant Accounting Policies (Cont'd):

(i) Mineral Property Interests

The Company accounts for its mineral property interests whereby all acquisition and exploration costs are charged to expense as incurred and all property sales and option proceeds received are credited to income. When the existence of a proven or probable mineral reserve on a property has been established, future acquisition, exploration and development costs will be capitalized for that property. After commercial production on the property commences, the net capitalized costs will be charged to future operations using the unit of production method based on estimated recoverable reserves on the property.

(j) Joint Venture Agreements

The Company holds a significant portion of its interests in resource properties through joint venture agreements. The Company accounts for its joint venture operations using the equity method whereby the investment is initially recorded at cost and is adjusted to recognize the Company's share of losses and reduced by dividends and distributions received. The joint venture accounting for its interests or activities related to mine property interests is consistent to

that of the Company as described in note 2 (i). The assets underlying the Company's investment in joint ventures are primarily cash and are located in China.

3. Mining Property Interests

(a) Blue Mountain Project

The Company entered into an agreement dated March 18, 2003 with Nassau Ltd. ("Nassau") an unrelated private U.S. company, to acquire 100% of the interest held by Nassau in a mining property located in Nevada, U.S.A.

In order to acquire the interest, the Company has entered into an option agreement with Nassau, pursuant to which agreement Nassau granted the Company the option to acquire a 100% interest in certain mining claims known as the Blue Mountain project which is made up of 31 mining claims and is located in Humboldt County, Nevada approximately 20 miles west of Winnemucca, Nevada (the "Blue Mountain Project").

- 43 -

3. Mining Property Interests (Cont'd):

In accordance with the terms of its agreement with Nassau, the Company has agreed that in order to acquire a 100% interest in the Blue Mountain Project, the Company will make the following payments and issue the following shares to Nassau:

- (i) 50,000 shares were issued on August 8, 2003 when the TSX Venture Exchange (the "TSX") approved (the "Approval Date") the Blue Mountain Project as a "qualifying property" (as defined within the rules and policies of the TSX);
- (ii) An additional 50,000 shares were issued on Aug 8, 2004;
- (iii) Two years following the Approval Date a payment in the amount of \$20,000;
- (iv) three years following the Approval Date a payment in the amount of \$30,000
- (v) four years following the Approval Date a payment in the amount of \$40,000;
- (vi) five years following the Approval Date a payment in the amount of \$100,000; and

- (vii) six years following the Approval Date a payment in the amount of \$1,300,000 (the "Final Payment").

Upon the Company making the Final Payment to Nassau then the Company will own 100% of the Blue Mountain Project subject only to a 2% net smelter royalty on gold (the "Royalty") and the Company will have the right to buy down the Royalty to a 1% NSR by paying Nassau the sum of \$1,500,000 at any time prior to completion of the first year of production. All payments are in U.S. dollars.

(b) Red Rock (formerly LS Property)

On March 4, 2004, the Company acquired an option on the Red Rock Property, and have the right to acquire a 100% interest, in these 80 mineral claims located in Lander County, Nevada, subject to a retained 3% net smelter royalty. The Company made an initial \$5,000 payment upon execution of the agreement dated February 27, 2004, and would, at the Company's option, make further cash payments totaling \$1,400,000 over a 15 year period.

- 44 -

3. Mining Property Interests (Cont'd):

Due Date	Cash Payment	Work Commitment
On execution of Agreement	\$ 5,000 (PAID)	--
By Yr. 1 Anniversary	\$ 15,000 (PAID)	\$ 10,000 Completed
By Yr. 2 Anniversary	\$ 25,000	\$ 50,000
By Yr. 3 Anniversary	\$ 50,000	\$ 100,000
By Yr. 4 Anniversary	\$ 155,000	\$ 100,000
By Yr. 5 Anniversary	\$ 250,000	\$ 250,000
By Yr. 6 Anniversary	\$ 250,000	\$ 250,000

By Yr. 7 Anniversary	\$	250,000	\$	240,000
Each of Yrs. 8 to 15	\$	50,000	\$	50,000
TOTAL	\$	1,400,000	\$	1,400,000

(c) NBM Property Option:

On March 4, 2004, the Company acquired an option on the NBM Property, and has the right to acquire a 100% interest in these 36 mineral claims located in Lander County, Nevada, subject to a retained 3% net smelter royalty. The Company made an initial \$5,000 payment upon execution of the agreement dated February 27, 2004, and could, at its option, make further cash payments totaling \$1,400,000 over a 15 year period. Additionally, the Company is required to carry out a minimum year-one work program of \$10,000 and must complete a total work program of \$1,400,000 over the 15 year option period.

The schedule of payments and work commitments is as follows:

Due Date		Cash Payment		Work Commitment
On execution of Agreement	\$	5,000 (PAID)		--
By Yr. 1 Anniversary	\$	15,000	\$	10,000
By Yr. 2 Anniversary	\$	20,000	\$	25,000
By Yr. 3 Anniversary	\$	50,000	\$	50,000
By Yr. 4 Anniversary	\$	160,000	\$	100,000
By Yr. 5 Anniversary	\$	250,000	\$	250,000
By Yr. 6 Anniversary	\$	250,000	\$	250,000
By Yr. 7 Anniversary	\$	250,000	\$	315,000
Each of Yrs. 8 to 15	\$	50,000	\$	50,000

TOTAL	\$	1,400,000	\$	1,400,000
--------------	-----------	------------------	-----------	------------------

Subsequent to December 31, 2004, the Company has substantially completed the minimum one year work program of \$10,000 and has opted to abandon this property option.

- 45 -

3. Mining Property Interests (Cont'd):

(d) Dongchuan Project

On June 2, 2004, the Company entered into a formal co-operative agreement with Yunnan Nonferrous Mining and Geology Ltd. ("YNMG") pursuant to which it established a Sino-Foreign co-operative joint venture company in the Yunnan Province, PRC.

The joint venture company is called the Xinan Mineral Resources Co. Ltd. It is established for the purpose of jointly exploring and, if successful, mining any viable deposits discovered in the Dongchuan area of the Yunnan, Province, PRC.

The Company agreed to invest, at its option, a total of US\$3.1 million over three years to earn a 70% interest in the co-operative company. After the company has earned a 70% interest, the company may earn a further 20 % interest in the co-operative company by investing an additional US\$6 million.

If the Company elects to terminate the co-operative agreement at any time, all unexpended amounts paid to the co-operative company will be returned to the Company and all rights to the property will be returned to YNMG.

The schedule of payments is as follows; beginning from October 12, 2004, the date the joint venture company is successfully incorporated:

Due Date	Investment
By Yr. 1 Anniversary	\$ 600,000
By Yr. 2 Anniversary	1,000,000
By Yr. 3 Anniversary	1,500,000
	<hr/>
Total:	\$ 3,100,000
	<hr/>

At December 31, 2004, the company has invested \$269,391 into the project.

(e) Gongguo Project

On May 18, 2004 the Company entered into a formal co-operative agreement with Yunnan Nonferrous Mining and Geology Ltd. ("YNMG") to establish a Sino-Foreign co-operative joint venture company in Yunnan Province, PRC.

The joint venture company is called the Xinlong Mineral Resources Co. Ltd. It is established for the purpose of jointly exploring and, if successful, mining any viable deposits discovered in the Gongguo area of the Yunnan, Province, PRC.

The Company has agreed to invest, at its option, a total of US\$3.05 million over three years to earn an 80% interest in the co-operative company. After the Company has earned its 80% interest, contributions to the co-operative company will be made pro rata, provided that YNMG's interest can be diluted to not less than 10% if it elects not to make cash contributions.

- 46 -

3. Mining Property Interests (Cont'd):

If the Company elects to terminate the co-operative agreement at any time, all unexpended amounts paid to the co-operative company will be returned to the Company and all rights to the property will be returned to YNMG.

The schedule of payments, beginning from October 12, 2004, the date the joint venture company is successfully established, is as follows:

Due Date	Investment
By Yr. 1 Anniversary	\$ 540,000
By Yr. 2 Anniversary	1,000,000
By Yr. 3 Anniversary	1,510,000
Total	<u>\$ 3,050,000</u>

At December 31, 2004, the company has invested \$162,441 into the project.

4. Equipment:

2004 2003

	Cost	Accumulated depreciation	Net book value	Net book value
Computer hardware and Software	\$ 41,216	\$ 36,428	\$ 4,788	\$ 3,008

5. Commitments

During the year, the Company entered into leasing agreements with respect to office and equipment leases expiring in January 2007. Arrangement has been made for Pathway Capital Ltd., a related party (see note 7) to manage and assume payment of these leases. The Company will reimburse Pathway based on estimated usage of office space and other equipment on a cost recovery basis. The 2005 lease obligation for the office space is estimated to be \$17,166.

6. Stockholders' Equity:

(a) Escrowed stock:

At December 31, 2004, 213,839 (2003 - 213,839) common shares outstanding were held in escrow.

- 47 -

6. Stockholders' Equity (Cont'd):

These shares are releasable from escrow on satisfaction of certain predetermined tests set out by the TSX Venture Exchange related to the generation of positive cash flow from operations. Stock not released from escrow within 10 years of the date of their issuance will be cancelled. Pursuant to the escrow agreements, holders of the stock may exercise all voting rights attached thereto except on a resolution to cancel any of the stock, and have waived their rights to receive dividends or to participate in the assets and property of the Company on a winding-up or dissolution of the Company. For accounting purposes these shares will be recorded at their fair value when the performance measures are satisfied with a charge in an equivalent amount to compensation expense.

(b) Stock options and stock-based compensation:

A summary of the status of the Company's stock options at December 31, 2004 and December 31, 2003 and changes during the periods ended on those dates is presented below:

	2004		2003
	Options	Weighted average exercise price	Options
			Weighted average exercise price

Outstanding, beginning of year	810,000	\$	0.25	--	--
Granted	1,050,000		0.30	810,000	\$ 0.25
Exercised	--		--	--	--
Expired/cancelled	--		--	--	--
Outstanding, end of period	1,860,000	\$	0.28	810,000	\$ 0.25
Options exercisable	1,590,000	\$	0.28	--	--

A total of 1,050,000 options were granted in the year ended December 31, 2004. The 2004 options are subject to four month hold periods which expired October 7 and October 28, 2004.

(c) Private Placement

At December 31, 2004, 1,028,750 warrants were outstanding. Each warrant is convertible into one common share, exercisable at \$0.30, and expires August 8, 2005.

7. Related Party Transactions:

In addition to related party transactions disclosed elsewhere in these financial statements:

(a) During the year ended December 31, 2004, the Company paid or accrued management fees, geological consulting, other consulting fees and salaries of \$311,234 (2003 - \$92,822) to directors and companies controlled by two directors. These activities are in the normal course of operations and are conducted at fair market value.

(b) The Company was charged by Pacific Source Capital Ltd., a company with two common directors (PSC), CAD \$2,500 per month in consideration for which PSC provide the Company with advisory services relating to general corporate development, financial matters, raising additional capital, strategic planning and other matters relating to the financial affairs of the Company.

During the year, these services provided by PSC were assumed by Pathway Capital Ltd. (Pathway), a company with two common directors, for CAD \$2,500 per month. In addition, Pathway charges the Company CAD \$1,100 per month for rent, net of other leasing costs paid by the Company (see note 5), and other administrative services on a cost recovery basis.

(c) Total fees paid to PSC and Pathway, during the year ended December 31, was as follows:

2004	\$ 23,016
2003	\$ 21,486

(d) During the year ended December 31, 2004 Pacific Source Capital Ltd has advanced \$593,071 to the company.

8. Income Taxes:

During 1999, the Company redomiciled from Canada to the United States. All loss carry forwards previously accumulated in Canada expired when the Company redomiciled. As at December 31, 2004, the Company had loss carry forwards of approximately \$ 2,800,000 that are available for offset against taxable income otherwise calculated through 2020. At the U.S. federal tax rate of 34%, the Company has a deferred tax asset of \$ 952,000, which has been fully offset by a valuation allowance due to uncertainty of the losses utilization.

- 49 -

9. Financial Instruments and Risk Management:

(a) Fair values:

The carrying amounts of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to their ability for prompt liquidation or short-term to maturity. The fair value of payables, including note payables, to related parties is not readily determinable due to the lack of a ready market for such indebtedness.

(b) Foreign currency risk:

Foreign currency risk is the risk to the Company's earnings that arises from fluctuations in foreign currency exchange rates, and the degree of volatility of these rates. The Company does not yet have any sales, and accordingly, foreign exchange risk is not yet considered by management to be a material risk at December 31, 2004.

10. Subsequent Events

On January 19, 2005, the Company closed a private placement of 7,567,835 units at a price of \$0.30 per unit for a total of \$2,270,350. Each unit consisting of one (1) common share and one (1) share purchase warrant, each warrant entitling the holder to purchase one (1) additional common share at a price of US\$0.50 per share on or before January 18, 2007. At December 31, 2004, the Company had received \$1,639,065 in subscriptions in anticipation of this offering.

The shares, the warrants and any shares issued on exercise of the warrants will be subject to a hold period expiring on May 19, 2005.

PART III

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements on accounting and financial disclosures from the inception of our company through the date of this Form 10-KSB. Our financial statements for the period from inception to December 31, 2004, included in this report have been audited by KPMG LLP, as set forth in their report included herein.

ITEM 8A. CONTROLS AND PROCEDURES

(a) *Evaluation of Disclosure Controls and Procedures:* Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

(b)

Changes in Internal Control over Financial Reporting: There were no changes in the Company's internal control over financial reporting identified in connection with the Company evaluation of these controls as of the end of the period covered by this report that could have significantly affected those controls subsequent to the date of the evaluation referred to in the previous paragraph, including any correction action with regard to significant deficiencies and material weakness.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any significant deficiencies or material weaknesses of internal controls that would require corrective action.

**ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS;
COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT**

The following table and text sets forth the names and ages of all of our directors, executive officers and significant employees, as at March 20, 2005. All of the directors serve until the next Annual General Meeting of shareholders and until their successors are elected and qualified, or until their earlier death, retirement, resignation or removal. Subject to any applicable employment agreement, executive officers serve at the discretion of the Board of Directors, and are appointed to serve until the first Board of Directors meeting following the annual meeting of shareholders. Also provided is a brief description of the business experience of each director, executive officer and significant employee during the past five years and an indication of directorships held by each director in other companies subject to the reporting requirements under the federal securities laws.

Directors, executive officers and other significant employees:

Name	Position Held with the Company	Age	Date First Elected or Appointed
Tim Searcy	President, Chief Executive Officer and Director	35	June 28, 2004 (Director, Chief Executive Officer and President)
David De Witt	Director	52	June 23, 1997 (Director)
Carl Hering	Director	55	January 20, 2003 (Director)
Gregg J. Sedun	Director	46	June 23, 1997 (Director)
Marcel de Groot	Director	31	June 19, 2000 (Secretary) July 31, 2001 (Director)
Lee Mun-Kit	Director	59	May 18, 2004 (Director)
Paul A. Visosky	Secretary	48	June 28, 2004 (Secretary)

The backgrounds and experience of our directors, executive officers and other significant employees are as follows:

Tim Searcy - President, Chief Executive Officer and a member of the Board of Directors

Mr. Searcy is a Professional Geologist registered in Alberta. He holds a Master of Science (Geology) degree and a Master of Business Administration degree, both from the University of Toronto. Mr. Searcy has over five years experience as an exploration geologist, having worked for companies such as Falconbridge and BHP, as well as a number of juniors. After acquiring his MBA in 2001, Mr. Searcy joined Placer Dome in November 2001 and worked in their corporate offices where he held positions in treasury and corporate development (M&A).

- 52 -

David De Witt - member of the Board of Directors

Mr. De Witt was a founding partner of De Witt Sedun, a firm focused exclusively on securities law, as well as a co-founder and director of Pacific Source Capital Ltd., a private venture capital company. Mr. De Witt graduated from the University of British Columbia with a Bachelor of Commerce degree in 1975 and a Bachelor of Law degree in 1978, and practiced corporate and securities law until his retirement from practice in 1997. He is a director and/or officer of a number of private and public companies.

Carl Hering - member of the Board of Directors

Dr. Hering is a geologist with over 25 years of diversified technical and managerial experience in mineral exploration and corporate development. He has experience in all aspects of exploration from generative to advanced projects, negotiations, acquisition evaluation, mine and corporate valuation, management, strategic planning and new program design and implementation. From 1997 to 1999 Dr. Hering served as vice president corporate development for Bema Gold Corp., a Vancouver based mid-tier gold producer. His focus was on international acquisitions and business development, directed at the enhancement of shareholder value. Prior to this role, Dr. Hering worked in senior exploration positions for both Placer Dome Inc. and Noranda Exploration. He worked for Noranda Exploration from 1978 to 1988, primarily in the United States. From 1989 to 1996, he worked for Placer Dome in the United States, Latin America, Asia, Australia and later coordinated technical evaluations for major acquisition opportunities worldwide for Placer Dome Inc., corporate development. Most recently, Dr. Hering has worked for numerous clients as an independent consultant evaluating advanced exploration opportunities, operating mines, including technical evaluations for a major corporate finance group.

Gregg J. Sedun - member of the Board of Directors

Mr. Sedun graduated from the University of Manitoba in 1982 with a Bachelor of Law degree, and practiced securities law in Vancouver, British Columbia from 1983 until 1997. He was a partner in the law firm Rand Edgar Sedun, and later became a founding partner of De Witt Sedun, a firm focusing exclusively on securities law, where he practiced until his retirement from law in 1997. Mr. Sedun is a co-founder and director of several public companies and a director and co-founder of Pacific Source Capital Ltd., a private venture capital company.

Marcel de Groot - member of the Board of Directors

Mr. de Groot graduated from the University of British Columbia in 1996 with a Bachelor of Commerce degree. From May 1996 until October 1999, he worked for the Vancouver office of Grant Thornton where he obtained the Chartered Accountant designation. From November 1999 to April 2003, Mr. de Groot has worked as a consultant for us and several other companies both private and public. Since April of 2003 to February 2004, Mr. de Groot held the position of chief financial officer of Diamond Fields International Ltd.

Lee Mun-Kit - member of the Board of Directors

Mr. Lee graduated from the University of New Brunswick in 1969 with a Bachelor of Science degree, majoring in geology. From 1970 until 1987, he worked for Placer Dome and attained the position of exploration manager South-East Asia. From 1987 to 1994, Mr. Lee worked for Nuigini Mining in the position of exploration manager asia and manager ore reserves. From 1994 until December 2000, he was president of Zen International Resources Ltd, a company involved in gold and copper exploration projects in China. Since January 2001, Mr. Lee has been president of Ecopulp Pty. Ltd. a company providing consulting services to the mineral exploration and mining business.

Paul A. Visosky - Secretary and a member the Board of Directors

Mr. Visosky was educated at the University of Western Ontario in London, Ontario, where he received his M.B.A. and LL.B. in 1982. Mr. Visosky was called to the bar in British Columbia in 1983. Since April 2004, Mr. Visosky has been a partner of DuMoulin Black, a Vancouver securities law firm, where he practices corporate and securities law. Mr. Visosky acts for public and private companies in a variety of industry sectors with a focus on financings, TSX Venture Exchange listings, and mergers and acquisitions. Mr. Visosky spent two years at the British Columbia Securities Commission in the late 1980's as a policy advisor responsible for drafting legislation and policy statements, and advising the securities commission on securities law matters. From July 2003 to March 2004, Mr. Visosky was an associate counsel with DuMoulin Black. Previous to his work at DuMoulin Black, Paul was owner of NEXUS Venture Capital Lawyers. Mr. Visosky is a former director of the Canadian Listed Company Association and has served as a director and officer of a number of companies listed on the TSX Venture Exchange. He is a current member of the Exchange's local advisory committee.

There are no arrangements or understandings between any two or more directors or executive officers, pursuant to which he/she was selected to be a director or executive officer. None of our directors, executive officers, promoters or control persons have been involved in any of the following events during the past five years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
4. being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Involvement in Certain Legal Proceedings

To our knowledge, during the past five years, no present or former director or executive officer of our company: (1) filed a petition under the federal bankruptcy laws or any state insolvency law, nor had a receiver, fiscal agent or similar officer appointed by a court for the business or present of such a person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer within two years before the time of such filing; (2) was convicted in a criminal proceeding or named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting the following activities: (i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, associated person of any of the foregoing, or as an investment advisor, underwriter, broker or dealer in securities, or as an affiliated person, director of any investment company, or engaging in or continuing any conduct or practice in connection with such activity; (ii) engaging in any type of business practice; (iii) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodity laws; (4) was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described above under this Item, or to be associated with persons engaged in any such activity; (5) was found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to have violated any federal or state securities law and the judgment in subsequently reversed, suspended or vacate; (6) was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated.

Compliance with Section 16 (a) of the Exchange Act

We are not subject to Section 16(a) of the Securities Exchange Act of 1934.

Audit Committee and Charter

We have an audit committee and audit committee charter. Our audit committee is comprised of all of our officers and directors. None of directors are deemed independent. All directors also hold positions as our officers. A copy of our audit committee charter is filed as an exhibit to this report. Our audit committee is responsible for: (1) selection and oversight of our independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; (3) establishing procedures for the confidential, anonymous submission by our employees of concerns regarding accounting and auditing matters; (4) engaging outside advisors; and, (5) funding for the outside auditory and any outside advisors engagement by the audit committee. A copy of our audit committee charter is filed as an exhibit to this report.

Audit Committee Financial Expert

We have no financial expert. We believe the cost related to retaining a financial expert at this time is prohibitive. Further, because of our limited operations, we believe the services of a financial expert are not warranted.

Code of Ethics

We have adopted a corporate code of ethics. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

ITEM 10. EXECUTIVE COMPENSATION

Compensation was paid to our executive officers and directors as follows:

Summary Compensation Table

		Long Term Compensation							
		Annual Compensation			Awards		Payouts		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
		Other							
		Annual		Restricted		Securities			
		Compen		Stock		Underlying		LTIP	All Other
Name and		Salary	Bonus	sation	Awards(s)	Options/ SARs (#)	Payouts	Compens	
Principal Position	Year	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	ation (\$)	
Tim Searcy	2004	\$39,518	nil	nil	nil	300,000	nil	nil	
President, CEO &	2003	Nil	nil	nil	nil	nil	nil	nil	
Director	2002	Nil	nil	nil	nil	nil	nil	nil	

David De Witt	2004	Nil	nil	nil	nil	nil	nil	nil
Director	2003	Nil	nil	nil	nil	150,000	nil	nil
	2002	Nil	nil	nil	nil	nil	nil	nil
Gregg Sedun	2004	Nil	nil	nil	nil	nil	nil	nil
Director	2003	Nil	nil	nil	nil	150,000	nil	nil
	2002	Nil	nil	nil	nil	nil	nil	nil
Marcel de Groot	2004	\$12,478	nil	nil	nil	nil	nil	nil
CFO and Director	2003	\$13,535	nil	nil	nil	150,000	nil	nil
	2002	\$21,665	nil	nil	nil	nil	nil	nil
Carl Hering	2004	\$22,200	nil	nil	nil	75,000	nil	nil
Director	2003	\$57,800	nil	nil	nil	150,000	nil	nil
	2002	nil	nil	nil	nil	nil	nil	nil
Paul A. Visosky	2004	nil	nil	nil	nil	75,000	nil	nil
Secretary	2003	nil	nil	nil	nil	nil	nil	nil
	2002	nil	nil	nil	nil	nil	nil	nil
Lee Mun Kit	2004	\$120,000	nil	nil	nil	450,000	nil	nil

Director	2003	nil	nil	nil	nil	nil	nil	nil
	2002	nil	nil	nil	nil	nil	nil	nil

- 56 -

None of our executive officers have received annual salary and bonus in excess of \$100,000. During 2004, 810,000 stock options were granted during the fiscal year ended December 31, 2004.

During June 2004 Mr. Searcy was granted 300,000 stock options exercisable at a price of \$0.30. Also in 2004 Mr. Lee was granted a total of 450,000 stock options exercisable at a price of \$0.30 (150,000 directly, and 300,000 indirectly). Mr. Lee also, indirectly, has a private option with Pacific Source Capital Ltd. to acquire 150,000 shares at a price of CDN\$0.16 exercisable until December 31, 2004. In June 2004 Director Carl Hering was granted 75,000 stock options exercisable at a price of \$0.30.

We have no formal plan for compensating our directors for their service in their capacity as directors although such directors have received, from time to time and are expected to receive in the future, options to purchase common shares as awarded by the Board of Directors or (as to future options) a Compensation Committee which may be established. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the Board of Directors. The Board of Directors may award special remuneration to any director undertaking any special services on our behalf, other than services ordinarily required of a director. Other than as indicated below, no director received and/or accrued any compensation for his services as a director, including committee participation and/or special assignments.

There are no management agreements with any of our directors or executive officers, other than those referred to herein.

Other than as discussed above, we have no plans or arrangements in respect of remuneration received or that may be received by our executive officers to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control, where the value of such compensation exceeds \$60,000 per executive officer.

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. Other than the management agreements and advisory agreements discussed herein, we have no material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of the Board of Directors or a committee thereof.

Option/SAR Grants

There are no stock option, retirement, pension, or profit sharing plans for the benefit of the Company's officers and directors, other than the incentive stock option plan. Under the Plan, the board of directors is vested with discretionary authority to grant options to persons furnishing services to the Company.

The Plan registered 4,882,945 shares. 1,860,000 options have been granted and 3,022,945 shares remain in the Plan.

Information concerning individual grants of stock options, whether or not in tandem with stock appreciation rights ("SARs"), and freestanding SARs made during fiscal 2004 to each of the named executive officers is reflected in the table below.

- 58 -

Option/SAR Grants in Fiscal 2004

Name	Number of Securities Underlying Options SARs Granted	Percentage of total options/SARs granted to employees in fiscal year	Exercise or Base Price (\$/Sh)	Expiration Date
Tim Searcy	300,000	28.6%	\$ 0.30	06-07-2009
Lee Mun-Kit	450,000	42.9%	\$ 0.30	06-07-2009
Carl Hering	75,000	7.1%	\$ 0.30	06-30-2009
Paul A. Visosky	75,000	7.1%	\$ 0.30	06-30-2009

Aggregated Option/SAR Exercises and Fiscal 2004 Year-End Option/SAR Value Table.

The following table sets forth certain information with respect to each exercise of stock options and SARs during fiscal 2004 by each of the named executive officers, and the fiscal 2004 year-end value of unexercised options and SARs. The dollar values are calculated by determining the difference between the exercise or base price of the options and the fair market value of the underlying stock at the time of exercise and at fiscal year-end if unexercised, respectively. The unexercised options, some of which may be exercisable, have not been exercised and it is possible they might never be exercised. Actual gains realized, if any, on stock option exercises and common stock holdings are dependent on the future performance and value of the common stock and overall stock market conditions. There can be no assurance that the projected gains and values shown in this Table will be realized.

Aggregated Option/SAR Exercises in Fiscal 2004 and Option/SAR Values at December 31, 2004

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Unexercised Options/SARs at FY-End (#)	Value of Unexercised In-the-Money Options/SARs at FY-End (\$)
------	---------------------------------	----------------	--	---

			Exercisable	Unexercisable	Exercisable	Unexercisable
Tim Searcy	-0-	-0-	87,500	212,200	-0-	-0-
Lee Mun-Kit	-0-	-0-	125,000	325,000	-0-	-0-
Paul Visosky	-0-	-0-	25,000	50,000	-0-	-0-
David De Witt	-0-	-0-	100,000	50,000	30,000	15,000
Gregg Sedun	-0-	-0-	100,000	50,000	30,000	15,000
Marcel de Groot	-0-	-0-	100,000	50,000	30,000	15,000
Carl Hering	-0-	-0-	125,000	100,000	30,000	15,000

- 58 -

Long-term Incentive Plans

We have no long-term incentive plans in place and therefore there were no awards made under any long-term incentive plan to any Executive Officers during our most recently completed fiscal year. A "Long-Term Incentive Plan" is a plan under which awards are made based on performance over a period longer than one fiscal year, other than a plan for options, SARs (Stock Appreciation Rights) or restricted share compensation.

Compensation of Directors

As previously noted, we have no standard arrangement to compensate directors for their services in their capacity as directors except for the granting from time to time of incentive stock options in accordance with the policies of the TSX Venture Exchange. During the last fiscal year, we granted stock options to acquire 900,000 shares of common stock to our directors. A total of 600,000 options during the year ended December 31, 2003 and in 2002 we did not grant any director options.

Compensation Committee Interlocks and Insider Participation

We have no committee that performs the function of a compensation committee. None of our officers or directors serve on a committee making compensation decisions of any other entity. Directors generally participate in compensation-related matters.

Indemnification

Pursuant to the articles of incorporation and bylaws of the corporation, we may indemnify an officer or director who is made a party to any proceeding, including a lawsuit, because of his position, if he acted in good faith and in a manner he reasonably believed to be in our best interest. In certain cases, we may advance expenses incurred in defending any such proceeding. To the extent that the officer or director is successful on the merits in any such proceeding as to which such person is to be indemnified, we must indemnify him against all expenses incurred, including attorney's fees. With respect to a derivative action, indemnity may be made only for expenses actually and reasonably incurred in defending the proceeding, and if the officer or director is judged liable, only by a court order. The indemnification is intended to be to the fullest extent permitted by the laws of the state of Nevada.

Regarding indemnification for liabilities arising under the Securities Act of 1933 which may be permitted to directors or officers pursuant to the foregoing provisions, we are informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy, as expressed in the Act and is, therefore unenforceable.

- 59 -

ITEM 11. SECURITY OWNERSHIP OF CERTAIN RELATED BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

As at December 31, 2004, we had 17,004,865 common shares issued and outstanding. We have no other classes of voting securities.

To the knowledge of our management, as at December 31, 2004 no person beneficially owns more than five percent of any class of our voting securities other than as set forth below. The following table shows the total amount of any class of our voting securities owned by each of our executive officers and directors and by our executive officers and directors, as a group, as at December 31, 2004, and, as to a specific person, shares issuable pursuant to the conversion or exercise, as the case may be, of currently exercisable or convertible debentures, share purchase warrants and stock options.

The shares indicated as being beneficially owned by Gregg J. Sedun include 213,839 shares held by 513815 BC Ltd., a private company controlled by Mr. Sedun. Alison Sedun is the wife of our director, Gregg Sedun. Shares indicated as being beneficially owned by Alison Sedun include 1,336,666 held by Alcaron Capital Corp., a company owned by Mrs. Sedun, and 1,015,705 shares held by Pacific Source Capital Ltd. ("PSC"). Mrs. Sedun, through Alcaron Capital Corp. owns 50% of PSC. The shares indicated as being beneficially owned by Marianne De Witt include 1,015,705 shares owned by PSC. Mrs. De Witt, wife of our director David De Witt, through a private company owns 50% of PSC.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
Tim Searcy	0	0.00%

Gregg J. Sedun	434,424	2.57%
Marcel de Groot	260,840	1.54%
David De Witt	172,555	1.02%
Carl Hering	40,000	.24%
Lee Mun-Kit	75,000	.44%
All Officers and Directors as a Group	982,819	5.81%
Six (6) Persons		

- 60 -

Grant Sutherland	1,770,263	10.45%
Alison Sedun	2,407,221	14.21%
Marianne De Witt	2,406,221	14.21%

Securities authorized for issuance under equity compensation plans.

We currently have issued 1,860,000 stock options to officers, directors and consultants. A total of 810,000 of these options are exercisable at \$0.25 per option. The remaining 1,050,000 options are exercisable at \$0.30 per option. Each option is exercisable into one common share.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There have been no transactions, or proposed transactions, which have materially affected or will materially affect us in which any director, executive officer, or beneficial holder of more than 10% of the outstanding common stock, or any of their respective relatives, spouses, associates or affiliates has had or will have any direct or material indirect interest, except as follows:

On August 1, 2002, we entered into a corporate advisory agreement with Pacific Source Capital Corp, a company owned and controlled by Alison Sedun and Marianne De Witt (each as to 50%). Alison Sedun and Marianne De Witt are married to, respectively, Gregg Sedun and David De Witt, both of whom serve on our board of directors and are directors of Pacific Source Capital Ltd. Pacific Source Capital Ltd. was paid CDN\$2,500 per month in consideration for which Pacific Source Capital Ltd. provided us with advisory services relating to general corporate development, financial matters, raising additional capital, strategic planning and other matters relating to the financial affairs of us.. In October 2004, this agreement was taken over by Pathway Capital Ltd., a company with two common directors.

Payments made and balances accrued to Pacific Source Capital Ltd. pursuant to the Management Advisory Agreement during the past two years are as follows:

2004	\$	23,016
2003	\$	21,486

We did not approach any disinterested third parties with the view to soliciting competing bids for their services. As a result, the transaction may or may not be subject to terms no less favourable to us than those that we could have obtained from disinterested third parties.

During the year ended December 31, 2004, the Company issued stock options to acquire up to 1,050,000 shares of common stock to its officers and employees at an exercise price of \$0.30 which was equal to the fair market value of the stock on the date of grant.

ITEM 13. EXHIBITS

Exhibits

The following Exhibits are incorporated herein by reference from the Registrant's Form S-4 Registration Statement filed with the Securities and Exchange Commission, SEC file #333-41516 on July 14, 2000. Such exhibits are incorporated herein by reference pursuant to Rule 12b-32:

Exhibits	Document Description
-----------------	-----------------------------

3.1	Articles of Incorporation
-----	---------------------------

The following Exhibits are incorporated herein by reference from the Registrant's Form 8-K Current Report filed with the Securities and Exchange Commission, on March 31, 2003. Such exhibits are incorporated herein by reference pursuant to Rule 12b-32:

Exhibits	Document Description
-----------------	-----------------------------

10.16	Option to Acquire Blue Mountain Project
-------	---

The following Exhibits are incorporated herein by reference from the Registrant's Form 8-K Current Report filed with the Securities and Exchange Commission, on September 5, 2003. Such exhibits are incorporated herein by reference pursuant to Rule 12b-32:

Exhibits	Document Description
-----------------	-----------------------------

3.1	Amended Articles of Incorporation
-----	-----------------------------------

The following Exhibit is incorporated herein by reference from the Company's Form 10-KSB and amendments thereto for the period ended December 31, 2003:

Exhibits	Document Description
-----------------	-----------------------------

14.1	Code of Ethics
------	----------------

99.1	Audit Committee Charter
------	-------------------------

The following exhibits are filed with this report:

Exhibits	Document Description
10.1	Joint Venture Agreement with Yunnan Nonferrous Mining and Geology Ltd. to form Xinlong Mineral Resources Co. Ltd. - Gongguo Project dated May 18, 2004
10.2	Joint Venture Agreement with Yunnan Nonferrous Mining and Geology Ltd. to form Xinan Mineral Resources Co. Ltd. - Dongchuan Project dated June 2, 2004
10.3	Letter Agreement granting the right to acquire two new gold projects: North Battle Mountain and Red Rock Properties dated February 27, 2004
23.1	Consent of KPMG LLP, independent certified public accountants
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-15(e) and Rule 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-15(e) and Rule 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

(1) Audit Fees

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for our audit of annual financial statements and review of financial statements included in our Form 10-QSBs or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years was:

2004	\$33,000	KPMG LLP
2003	\$22,500	KPMG LLP

- 63 -

(2) Audit-Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported in the preceding paragraph:

2004	\$nil	KPMG LLP
2003	\$nil	KPMG LLP

(3) Tax Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning was:

2004	\$800
2003	\$nil

(4) All Other Fees

The aggregate fees billed in each of the last two fiscal years for the products and services provided by the principal accountant, other than the services reported in paragraphs (1), (2), and (3) was:

2004	\$nil
2003	\$nil

(5) Our audit committee's pre-approval policies and procedures described in paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X were that the audit committee pre-approve all accounting related activities prior to the performance of any services by any accountant or auditor.

(6) The percentage of hours expended on the principal accountant's engagement to audit our financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full time, permanent employees was 0%.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 14th day of April, 2005.

Luna Gold Corp.

(Registrant)

/s/ Tim Searcy
BY: Tim Searcy, President, Principal Executive Officer and a
member of the Board of Directors

/s/ Marcel de Groot
BY: Marcel de Groot, Principal Financial Officer and a member of
the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the Registrant and in the capacities.

Signatures	Title	Date
/s/ Tim Searcy Tim Searcy	President, Principal Executive Officer, and a member of the Board of Directors	April 14, 2005
/s/ Marcel de Groot Marcel de Groot	Principal Financial Officer and member of the Board of Directors	April 14, 2005

/s/ David E. De Witt David E. De Witt	Member of the Board of Directors	April 14, 2005
/s/ Gregg J. Sedun Gregg J. Sedun	Member of the Board of Directors	April 14, 2005
/s/ Carl Hering Carl Hering	Member of the Board of Directors	April 14, 2005
/s/ Lee Mun-Kit Lee Mun-Kit	Member of the Board of Directors	April 14, 2005
/s/ Paul A. Visosky Paul A. Visosky	Secretary	April 14, 2005

JOINT VENTURE CONTRACT

1. General Principles

THIS CONTRACT is made by and between YUNNAN NONFERROUS GEOLOGY AND MINING LTD OF YUNNAN PROVINCE and LUNA GOLD (CHINA) CORP. for the establishment of Xinlong Mineral Resources Co. Ltd. and the joint exploration and if successful mining of viable deposits discovered in the Gongguo and its surrounding area, approximately 420 km² (hereinafter referred to as the "Gongguo Project" or the "Project Area") in Yunnan Province, People's Republic of China ("PRC") and other agreed projects in the PRC in accordance with the "Laws of the People's Republic of China on Chinese-Foreign Cooperative Enterprises" and other applicable relevant PRC laws and regulations, based on the principle of equality and mutual benefits and through friendly consultations. Unless the terms or context of this CONTRACT otherwise provide, the words and phrases set out in Appendix 1 shall have the meanings set out in that Appendix when used in this CONTRACT and the Appendices hereto.

2. Parties to this CONTRACT

2.1 The parties to this CONTRACT (hereinafter referred to jointly as the "Parties" and individually as a "Party") are

Yunnan Nonferrous Geology and Mining Ltd. of Yunnan Province ("Party A"), a company registered in Yunnan Province, PRC with its place of business at "No. 93 Remin East Road, Kunming, Yunnan Province 650051, P.R.C."

Fax: 86-871-3177670

Legal Representative: [to be filled in]

Position: *

Nationality: Chinese

Luna Gold (China) Corp., a subsidiary of Luna Gold Corp., or its associated company ("Party B"), registered in British Virgin Islands with its place of business at Suite 1600, 777 Dunsmuir Street, P.O. Box 10425, Pacific Centre, Vancouver, British Columbia, Canada V7Y 1K4

Fax: (1-604) 688-0094 with copy to Fax: (612) 9983 1682

Legal Representative: David DeWitt

Position: President

Nationality: Canadian

3. Establishment of Joint Venture

3.1 Establishment of Joint Venture

In accordance with the "Law of PRC on Chinese-Foreign Co-operative Enterprises" and other applicable PRC laws and regulations, Party A and Party B hereby agree to establish a Sino-foreign cooperative joint venture company in Yunnan Province, PRC.

3.2 Name and Address

The Chinese name of the Company shall be:(tentative)

The English name of the Company shall be Xinlong Mineral Resources Co. Ltd. (Tentative)

The legal address of the Company shall be: No.93 Ren Min Dong Rd., Kunming, Yunnan Province, PRC.

3.3 Law

The Company shall be subject to the jurisdiction and protection of the laws and regulations of PRC. All activities shall be in compliance with the laws and regulations of PRC.

3.4 Limited Liability

The Company is a limited liability company. The liability of Party A and Party B shall be limited to the amount of their respective contributions.

3.5 Formation of the Company

The Company shall be established on the date of the issuance of its business license.

3.6 Prior Act and Indemnification

3.6.1 Subject to Article 3.6.2 below, neither Party shall be liable to the other Party for any loss or damages claimed by any third party arising from acts or events which occurred prior to and after the date of the establishment of the Company. Subject to the provisions in Article 3.4 above, the Company shall indemnify each Party against any and all losses, damages or liabilities suffered by each Party in respect of third party claims arising out of the operation of the Company.

3.6.2 The Company and Party B shall not be liable for any acts or omissions that have occurred in the activities of the Project Area prior to the assignment of the current Exploration Rights and Mining Rights to the Company, such acts or omissions to include, without limitation, environmental pollution; and the Company and Party B shall not be liable for any acts or omissions that might occur in the future as a result of Party A leasing the Xiaoganqin Mining Rights pursuant to that Lease Contract set out in Appendix 5 including without limitation any and all liabilities for environmental pollutions. In case of any claim against the Company and/or Party B for the liabilities for the foresaid acts and omissions, Party A shall use its best endeavours to hold the Company and/or Party B harmless from such claims and shall indemnify the Company and Party B against any damages and loss caused by such claims.

-2-

3.7 Change of Law

In the event that after the execution of this CONTRACT and any Appendices hereto, the issuance, amendment, supplement or rescission by government or any subdivision or agency thereof of any applicable tax, customs, foreign exchange or other laws, rules, regulations, policies or changes of any interpretations thereof may allow treatment to the Company or either of the Parties different to that agreed in this CONTRACT, both Parties shall take appropriate actions:

3.7.1 in case of a favourable change to enable the Company or that Party to receive that favourable treatment; or

3.7.2 in case of a detrimental change, the Parties shall meet to resolve how to deal with such changes but with the intent that the profit sharing arrangements and the management and the control of the Company shall not be altered from that provided in this CONTRACT. If agreement cannot be reached, then the relevant issues shall be determined in accordance with Article 17 of this CONTRACT.

4. Purpose, Scope and Scale of Business Operations

4.1 Purpose

The purpose of the Company is initially to conduct prospecting and exploration work on the Project Area (the "Pre-bankable Feasibility Study") and thereafter, if Party B considers the results of the Pre-bankable Feasibility Study justify it, to conduct a bankable feasibility study in respect to the Project Area (the "Bankable Feasibility Study") to investigate the viability of mining the metals including but not limited to gold and silver ore, copper, lead and zinc ores in the Project Area (the Pre-bankable Feasibility Study and the Bankable Feasibility Study hereinafter shall collectively be referred to as the "Bankable FS"). If the Board has determined to proceed with the Gongguo Project based on the Bankable FS, the Company shall thereafter conduct the mining operations within the Project Area, including without limitation, ongoing exploration, development, production and sale of gold, gold concentrate, other metals and minerals mined in any such mine or the Project Area, by adopting advanced and appropriate technologies and scientific management methods in order to achieve business results satisfactory to both Parties.

-3-

4.2 Business Scope of the Company

4.2.1 The Company shall engage in prospecting, exploration, mining, development, production and sale of gold, gold concentrates, other metals and minerals (the "Products")

4.2.2 The Products shall be sold by the Company as stipulated by the prevailing PRC laws based on the international prices. IT BEING THE INTENT that the Company shall obtain an international marketing price permit as early as possible.

4.2.3 After the Parties agree that the activities of the Company may be extended to include other projects in the PRC, subject to the approval of the Board, Party A agrees to assist the Company in every way possible to achieve all agreed new activities.

4.3 Scale of Business Operations

The actual production scale, and the total amount of the investment required to develop, mine and produce Products from the Gongguo Project shall be decided by the Board based on the results of the Bankable Feasibility Study and the then prevailing market conditions.

4.4 Project Area

4.4.1 The Project Area is defined by the map in Appendix 2 and covers an area approximately 420 square kilometres. Party A currently holds three Exploration Rights, namely a. Sanqicun (61.71 sq. km); b. Gongguo (30.42 sq. km) and c. Waiyao - Xiamazhang (29.84 sq km) and one Mining Right at Xiaoganqin (0.2 sq. km), within the Project Area. , The Exploration Rights are detailed in Appendix 3 attached hereto. The Mining Right at Xiaoganqin is located within the Exploration Right at Gongguo; details of the Xiaoganqin Mining Right are detailed in Appendix 4 attached hereto.

4.4.2 Party A shall provide all information on geology, past exploration and mining activities it or any of its related units has at its or any of its related unit's disposal to the Company so as to enable the Company to select new areas and apply for or accept the transfer of exploration and or mining rights in addition to the existing exploration right currently being held by Party A as included in the Appendix 2, Appendix 3 and Appendix 4.

4.4.3 Party A shall transfer all the exploration rights and/or any mining rights it or any of its related units currently holds within the Project Area to the Company upon the Company's request. With the Company's written consent as approved by the Board, Party A may, in its discretion, dispose of any of the rights that are not selected by the Company provided however that Party A is solely responsible for any liabilities associated with any rights that it may decide to dispose of in accordance with this Article 4.4.3

-4-

4.4.4 If either Party or its related unit wishes to apply for exploration or mining right for any particular area within the Project Area, it must notify the Company first and grant the Company the first right of refusal to apply for exploration or mining right for such area. If the Company elects to file such application and apply for such exploration or mining right then the Company does not have to pay for such right. If the Company elects not to proceed with such application, then with the written consent of the Company, such Party or its related unit may act freely, including act jointly with a third party, provided that such Party shall be solely responsible for any liabilities associated therewith. This Article 4.4.4 shall not be applicable to the Pending Exploration Right Application as stipulated in Article 7.2.

4.4.5 The Company may, at any time during the term of this Contract, relinquish part of the Project Area or may decide to relinquish the entire area comprising the Project Area. Either Party has the right to apply for exploration or mining right for the relinquished area, provided that such Party shall be solely responsible for any liabilities associated therewith. Upon either Party's request, the Company will assist such Party to do so.

5. Registered Capital, Total Amount of Investment and Profit Distribution Ratio

5.1 Registered Capital

5.1.1 The initial registered capital of the Company shall be US\$3.05 million which is the amount estimated by Party B required to complete the initial exploration work program in the Project Area.

(A) Party B shall be responsible for subscribing for the initial US\$3.05 million worth of registered capital according to the schedule in Article 6.2.2.

(B) Any additional contribution to and increase of the Company's registered capital shall be done in accordance with Article 6.8 and Article 11.

5.2 Total amount of investment

The total amount of investment by the Company shall be US\$ 6.1 million. The Company may satisfy the difference between its registered capital and its total amount of investment by procuring loans.

5.3 Profit Distribution Ratio

Subject to Article 12, the profit generated by the Company shall be distributed to the Parties in proportion to their respective equity interest percentage, as adjusted from time to time in accordance with this Contract.

-5-

6. Provision of Cooperative Conditions

6.1 Cooperative Conditions to be Provided by Party A

Party A shall provide the following as its initial cooperative condition (the "Initial Cooperative Conditions") to the Company at the establishment of the Company:

(A) the exclusive Gongguo Exploration Right (Exploration License No. 5300000430029) and Xiaoganqin Mining Right including any rights that any of its related units currently hold in the Project Area Party A will apply to the relevant government agency to transfer these Exploration and Mining Rights to the Company within 30 days of the Company being granted its business licence.

(B) Party A warrants that it will not renew or extend the term of the Lease Contract of Xiaoganqin No. 1 Ore Body ("Lease Contract") it executed with Huang Xinglang ("Lessee") and that, when this contract for the Xiaoganqin Mining Right expires, it will not enter into any other contracts on the Xiaoganqin Mining Right with any other party or parties other than the Company and/or Party B. A copy of the said Lease Contract is attached hereto as Appendix 5 and a map detailing the boundaries of the leased portion of the Mining Right as provided in the said contract (including the exact co-ordinates thereof) is attached as Appendix 6. Party A also warrants that the Lessee's activities within the Project Area and the performance of the Lease Contract will not interfere with or influence the Company's exploration, mining, construction and development; otherwise, Party A shall compensate the Company for any loss caused such interference and influence.

(C) Party A shall, immediately after the issuance of the Company's business license, provide the Company with legal access to all part of the Project Area, including the area covered by the Lease Contract, for the purpose of undertaking exploration work and preparing a geological report.

(D) all reports prepared in respect of, the Project Area to enable the Company to carry out initial exploration and complete the Bankable FS.

(E) all data and plans with respect to the geology, exploration and mining within the Project Area at its or any of its related unit's disposal or obtainable as provided in Article 4.4.2.;

(F) Party A will provide technical staff and facilities to the Company at the request of the Company or the General Manager as long as the costs of such technical staff and facilities are competitive in accordance with international industry standards and approved by the Company or the General Manager; and

-6-

(G) Party A will have priority to be contracted to perform exploration work by Company as long as the contract charges will not be higher than any other contractors and they can satisfy the Company and the General Manager that the contract is carried out in a professional and business like manner and meet the standards required by the Company and the General Manager. Each contract will be negotiated and signed by Party A or its associated unit as the Contractor and the Company as the client.

(H) If the Board has determined to proceed with the development, mining and production of the Gongguo Project based on the results of the Bankable FS, then Party A shall:

- a. assist the Company to apply for the exclusive Mining Right in the Project Area in accordance with PRC laws;
- b. assist the Company to apply or secure for any land use rights required and requested by the Company.

c. Provide additional funding in accordance with Article 11;

d. assist the Company in obtaining any other approvals, licenses or registration necessary for mining operations.

6.2 Cooperative Conditions to be Provided by Party B

6.2.1 Party B shall, subject to Article 6.7.1 and Article 18.3.2, provide the following assets as its initial Cooperative Conditions:

(A) Cash in an amount of US\$ 3.05 million as contribution to the Company's registered capital.

(B) Any additional funding required by the Company in accordance with Article 11.

(C) the technical and management expertise necessary for the management of the business of the Company.

(D) Party B shall pay the above US\$ 3.05 million into the Company in accordance with the following time schedule:

Timing from Issuance of Business License	Paid-in registered capital
Within three months	US\$ 0.46 million
Within first year	US\$0.08 million
Within second year	US\$1.00 million
Within third year	US\$1.51 million
Total	US\$ 3.05 million

-7-

Within 30 days after the signing of this CONTRACT, Party B will remit to Party A a sum of US\$0.05 million. This amount is an advance for expenses for pre-operating expenses to obtain government approvals, business licence and registration fees for the Company. This amount shall be credited as part of Party B's contribution to the Company as in Article 6.2.1 (A).

6.3 Representations and Warranties

6.3.1. Party A hereby represents and warrants that

(A) it has lawfully obtained all permits required for exploring the reserves in the Project Area from the appropriate governmental authorities.

(B) It is a company duly established, validly existing and in good standing in accordance with PRC laws;

(C) It holds all necessary power and authorization and all necessary licenses and permits to execute and perform this Contract and be bound by the terms and conditions hereof. The execution, delivery and performance of this Contract will not violate any provisions of its Articles of Association, any obligations assumed by it under other contracts to which it is a party and PRC laws;

(D) From the date hereof to the date of transfer to the Company, the Exploration Rights and the Mining Rights will be solely owned by Party A and free from any third party's interests, and Party A is the only person conducting exploration and mining activities within the Project Areas, except for the third party interest and activities under the Lease Contract;

(E) On the date of contribution, there is no activity by any person within the spaces and areas covered by the Exploration Rights and the Mining Rights to be contributed or transferred by it to the Company, which may hinder the transfer of the said rights to the Company, and there is no disputes, potential or present, which may hinder the said transfer and contribution to the Company under this Contract; and

(F) its representative whose signature is affixed to this Contract has been duly authorized to execute this Contract.

6.3.2 Party B hereby represents and warrants that:

(A) Party B is a company duly incorporated, validly existing and in good standing under the laws of British Virgin Islands;

-8-

(B) Party B holds all necessary power and authorization and all necessary licenses and permits to execute and perform this Contract and be bound by the terms and conditions hereof. The execution, delivery and performance of this Contract by Party B will not violate any provisions of Party B's Articles of Association, any obligations assumed by it under other contracts to which it is a party and the laws of British Virgin Islands; and

(C) Party B's representative whose signature is affixed to this Contract has been duly authorized to execute this Contract.

6.4 Schedule of Provisions of Cooperative Conditions

6.4.1 Both Parties shall, provide their respective cooperative conditions to the Company in accordance with the applicable PRC laws.

6.4.2 Party B shall, subject to the provisions of Articles 18.3.2, progressively over the period as in schedule in Article 6.2.2 contribute its cooperative conditions up to initial Registered Capital of US\$3.05 million in accordance with Article 5.1.1 and based upon the needs of the actual operations and requirements of the Company, as determined by the Board, and as required by the PRC laws.

6.5 Proportions of Equity

The proportions of the equity of the Company shall be decided by the cooperative conditions contributed by the Parties as follows:

6.5.1 When both Parties have made their initial Cooperative Conditions as required under this CONTRACT, Party A shall hold 20% of the shareholdings of the Company and Party B shall hold 80% of the shareholdings of the Company.

6.5.2 When additional capital contribution is required for the Bankable FS and the completion of the Gongguo Project as so decided by the Board after Party B has completed its total capital contribution, either Party's proportion of equity shall be determined in accordance with Article 11.

6.6. Verification and Certification

When any Party has completed its total cooperative contribution, an accounting firm registered in the PRC shall be engaged by the Company to verify such contributions and issue a verification report to such effect. The Company shall within 14 days thereafter provide an investment certificate to that Party. Each certificate shall bear the name of the Company, the date of its establishment, the name of the Party and its cooperative conditions required and the date of the issuance of the contribution.

-9-

6.7 Operation Unprofitable

6.7.1 Notwithstanding any provisions herein, if the Board decides, at any time during the term of this Contract, that, based upon the results of the exploration work on the Project Area or based on the results of the Pre-Bankable Feasibility Study or the Bankable FS that the operation of the Gongguo Project is unprofitable then, neither Party has the obligation to make any contribution in whatever form to the Company other than those that have been already contributed to the Company in respect to the Gongguo Project.

6.7.2 In the event of the Board decision under Article 6.7.1, unless the Company returns to Party A all materials, Exploration Rights and Mining Rights or the Parties have agreed to enter into any other project or projects in respect of the Gongguo Project, the Parties shall terminate this CONTRACT and dissolve the Company as provided in Articles 18.3.2 and Party B shall have no further interest in, or liability with respect to the Gongguo Project with the exception when Party B is entitled to a residual interest as in Article 18.4.2.

6.8 Change of Registered Capital of the Company

6.8.1 The Company may increase, decrease, assign or otherwise change the registered capital of the Company in light of its business needs in accordance with the terms with this CONTRACT as well as the approval of the Board and the original approval authority. Once the Company has decided to make such changes, both Parties shall consent and cooperate with the Company to seek approval from the relevant government authorities.

6.8.2 Both Parties agree that the increase of the Company's registered capital shall be based on the need to provide additional funding to the Bankable BF or to the mining, construction, production and development within the Project Area and that only Party B has the right to propose the increase of the registered capital. Upon Party B's proposal, both Parties shall use their best endeavours to make the directors they appointed to the Board to vote in favour of such increase and to assist the Company in obtaining necessary approval by the original approving authority for such increase. The increased registered capital shall be contributed by both Parties in the ratio as provided in Article 11.

7. Acquisition of Exploration Rights by the Company

7.1 Existing Exploration Rights

7.1.1 Party A shall, within 30 days, submit the applications to competent approving authorities for transferring to the Company Sanqicun Exploration Right (Exploration License No. 5300000330318) and Wayao - Xiamazhang Exploration Right (Exploration License No. 5300000330738), after so requested in writing by the Company.

-10-

7.1.2 In consideration of the transfer of the Exploration Rights as specified in the preceding paragraph, the Company shall pay to Party A the purchase price in accordance with the following time schedule and formula after the Company has obtained the Exploration Licenses issued by the competent authorities in respect of the Exploration Rights transferred:

Timing from the issuance of the Business License	Amount paid to Party A equal to
Within 12 months	Paid-in registered capital within this period X 33.33% but no more than US\$ 180,000 *
Within 12 to 24 months	Paid-in registered capital within this period X 27.27% but no more than US\$ 270,000
Within 24 to 36 months	Paid-in registered capital within this period X 27.17% but no more than US\$ 420,000

Notwithstanding any provision herein, during the period before the Lease Contract is terminated and the Lessee is removed out of the Project Area, the amount of the purchase price paid to Party A by the Company shall be calculated as:

$$\text{The amount paid to Party A} = \text{The Company's total expenditure} \times 33.33\%.$$

7.1.3 The payment of the transfer price as stipulated in Article 7.1.2 is condition upon:

- (A) The Lessess's activities and the performance of the Lease Contract do not interfere with or adversely affect the Company's exploration and other operations;
- (B) The Company has been provided fully access to all parts of the Project Area to conduct exploration work and Bankable BF, including the lease area under the Lease Contract.

If for whatever reason, any of the above conditions (A), and (B) is not fulfilled, the Company shall have the right to suspend the payment to Party A until such unfulfillment is rectified to the satisfaction of the Company and Party B.

7.1.4 If at any time before the expiration date of the term of this Contract, the Company is dissolved and this Contract is terminated in accordance with Article 18.2 and Article 18.3, the Company is not obligated to make any further exploration expenditure and, therefore, is not obligated to pay any amount of purchase price to Party A as provided in Article 7.1.2, after the date of termination notice issued by either Party.

7.2 Pending Application for Muguuqin Exploration Right

7.2.1 Party A hereby acknowledges that it is applying for a exploration right in Muguuqin ("Muguuqin Exploration Right") and the approval by the competent authority for its application is pending up to this date. The details of the application are set out in Appendix 7.

7.2.2 Party A hereby grants the Company the exclusive acquisition right to decide whether or not to acquire the Muguuqin Exploration Right which right must be exercised by the Company within 6 months from the later of (a) the date on which Party A is granted the exploration license for the Muguuqin Exploration Right; or (b) the date on which the Company is granted its business licence. Party A shall not enter into any contract/agreement or transaction with any third party other than the Company and Party B in respect of the Exploration Right before the end of the 6 month period.

7.2.3 If the Company elects not to proceed to acquire the Muguuqin Exploration Right then the provisions of Article 4.4.4 shall apply. If, however, the Company elects to acquire the Muguuqin Exploration Right, Party A shall transfer the Muguuqin Exploration Right to the Company the soonest possible.

7.2.4 In consideration of the transfer of the Muguuqin Exploration Right as stipulated in this Article 7.2, the Company shall pay US\$ 0.285 million as the purchase price to Party A in accordance with the following time schedule:

Timing from the issuance of Exploration License to the Company for the Muguuqin Exploration Right	Amount paid to Party A
Within 12 months	US\$ 0.059 million
Within 12 to 24 months	US\$ 0.089 million
Within 24 to 36 months	US\$ 0.137 million

7.2.5 To fund the purchase of the Muguuqin Exploration Right and the exploration work in the area of Muguuqin Exploration Right, Party B agrees to contribute the additional sum of \$1,000,001 to the Company's registered capital, part of which will be paid by the Company to Party A for the US\$ 0.285 as provided in Article 7.2.4. The additional contribution of US\$ 1,000,0001 shall be paid by Party B into the Company within the time limit set forth by PRC law and at a schedule of:

(A) within 12 months after the approval of contribution, US\$ 0.18 million;

(B) within 12 to 24 months, US\$ 0.33 million and

(C) within 24 to 36 months, US\$ 490,001.

8. Responsibilities of the Parties

8.1 Responsibilities of Party A

8.1.1 Party A shall be responsible for

- (A) fulfilling its cooperative conditions in accordance with the terms and conditions as provided under this CONTRACT;
- (B) obtaining in the Company's name all approvals, permits, licenses and registrations from and with the PRC authorities for the due establishment, the good standing and the normal operation of the Company, including but not limited to obtaining favourable tax treatment and filing of the international loan agreement with the appropriate administration for exchange control in order to repay any obligation or liability arising out thereof;
- (C) assisting the Company in obtaining all necessary credits or funds from financial institutions inside or outside PRC for the business operation of the Company as approved by the Board;
- (D) providing the Company with all necessary documents for the purpose of financing of the Gongguo Project.
- (E) assisting the Company in applying for exploration licenses or mining permits, in other areas not included within the Project Area as directed from time to time by the Board;
- (F) assisting the Company with the import of machinery, equipment, materials and supplies required by the Company, and assisting with the transportation thereof within the PRC as directed by the Board;
- (G) assisting the Company in obtaining Chinese machinery, equipment, external water supply, transportation, communications and other items required for the Company's operation at competitive prices in accordance with local industry standards as approved by the Board;
- (H) assisting the Company in recruiting qualified Chinese employees and obtaining all entry visas and work permits for the Company's foreign staff and employees in accordance with applicable laws and regulations, arranging lodging of the foreign staff and providing office, local transportation and medical emergency; and
- (I) assisting the Company in handling other matters entrusted to it by the Company from time to time.

-13-

8.2 The Responsibilities of Party B

8.2.1 Party B shall be responsible for:

- (A) fulfilling its cooperative conditions in accordance with the terms and conditions as provided under this CONTRACT;
- (B) assisting the Company in obtaining all necessary credits or funds from financial institutions inside or outside PRC for the business operations of the Company as approved by the Board;
- (C) assisting the Company in procuring equipment and machinery, raw materials and other supplies for the operation of its business from outside PRC as approved by the Board;
- (E) providing advanced technical and management expertise to the Company; and
- (F) assisting the Company in handling other matters entrusted to it by the Company from time to time.

8.3 The Company shall subject to the Board approval, reimburse all costs incurred by either Party for performing the above responsibilities.

9. Board of Directors

9.1 Establishment of Board of Directors The Company shall have a Board of Directors (the "Board") that Board shall be established as of date of the issuance of the business license of the Company by the relevant government authority.

9.2 Number of Directors The Board shall consist of five (5) directors; two (2) of whom shall be appointed by Party A and three (3) of whom shall be appointed by Party B. The number of directors that each Party is entitled to appoint shall only be adjusted upon change of respective equity shareholdings of the Parties in the Company. If Party A's equity is reduced to 10%, then the Board will consist of one (1) director from Party A and four (4) from Party B. Party B shall, from among its representatives on the Board, appoint the chairman of the Board (the "Chairman"); Party A shall, from among its representatives on the Board, appoint the vice-chairman (the "Vice-Chairman") of the Board. The term of office of a director shall be three (3) years, but any director may serve consecutive terms if re-appointment by the Party which originally appointed that director. Each Party can also replace its appointments at any time.

-14-

9.3 Board Actions

9.3.1 The Board shall be the highest authority of the Company and shall decide all important matters pertaining to the Company. Unanimous approval of the Board at a duly convened Board meeting shall be required before any decisions are made concerning the following important matters of the Company:

- (A) amendment of the Articles of Association;
- (B) termination and dissolution of the Company;
- (C) transfer of the registered capital of the Company;
- (D) merger of the Company with any other economic organisation;
- (E) mortgage of the Company's property and assets;
- (F) any change in the policy of the cash distributions as in Article 11; and
- (G) other matters the Board decides to require unanimous approval thereof.

9.4 The Chairman The Chairman of the Board shall be the legal representative of the Company. Should the Chairman of the Board be unable or unwilling to perform his or her duties for any reason, then he or she may temporarily authorise the Vice-Chairman or any director to perform his or her duties on his or her behalf, on a temporary basis, provided however, the Vice-Chairman or the director so appointed to perform the Chairman's duties shall not be authorised to vote on the election of a new Chairman unless specifically authorised to do so by the Chairman.

9.5 The Vice-Chairman The Vice-Chairman of the Board shall assist the Chairman to perform his or her duties. The Vice-Chairman shall report to the Chairman in all matters relating to the business of the Company.

9.6 Board Meetings

9.6.1 The Board shall meet a minimum of two (2) times a year and the Board meetings shall be called upon and presided over by the Chairman of the Board. Special Board meetings may be called upon by the Chairman of the Board upon the written request of two (2) directors.

9.6.2 Board meetings shall be held at the registration place of the Company or at any other locations agreed upon by all the directors..

-15-

9.6.3 Board meetings shall be held upon 45 days' advance notice to the directors, PROVIDED THAT such advance notice may be waived by written consent signed by all directors. The notice of a Board meeting shall specify the agenda and time and place for such meeting.

9.6.4 A director who is unable to attend a Board meeting in person may issue a proxy in writing, entrusting another person (who may, but need not be, one of the other directors) to attend the meeting on his or her behalf. A proxy shall not be valid and effective unless delivered to the Chairman of the Board of the meeting at which the person appointed intends to act as a proxy. The entrusting director may revoke a proxy by written proxy revocation to the Chairman of the Board. A proxy shall have the same rights and powers as the director or directors he or she represents by proxy.

9.6.5 Three (3) directors present in person or by proxy or by telephone pursuant to Article 9.6.6 shall constitute a quorum with one representing Party A. Without a quorum, no decision by the Board shall be valid. If within half an hour from the time appointed for the commencement of a Board meeting a quorum is not present, the meeting shall automatically be adjourned until the same day in the following week and at the same time and place and, notwithstanding other provisions in this Article 9.6.5 to the contrary. At the adjourned meeting three directors (3) directors present in person or by proxy shall constitute a quorum for the adjourned meeting. However, no business shall, under such circumstances, be conducted at the adjourned meeting except business that was specified in the agenda for the original meeting.

9.6.6 For the purposes of the CONTRACT, the contemporaneous linking together by telephone or other means of instantaneous communication ("Telephone") of five (5) of the directors is deemed to constitute a meeting of the directors. All the provisions of this CONTRACT as to meetings of the directors apply to such a meeting if at the commencement of the meeting each director acknowledges the respective director's presence for the purposes of the meeting to all the other directors and also acknowledges that the director is able to hear each of the other directors taking part.

9.6.7 A director may not leave a Telephone meeting by disconnecting the telephone without the consent of the Chairman of the Board and a director is deemed to be present and form part of the quorum throughout the meeting unless the Director has obtained consent from the Chairman of the Board.

9.6.8 Minutes of the proceedings at a telephone meeting are sufficient evidence of the proceedings and the observance of all the necessary formalities if the Chairman of the Board certifies it as correct minutes.

-16-

9.6.9 Except as otherwise provided for in the CONTRACT, any action by the Board may be taken without a meeting if a majority of the directors of the Board (of which there shall be at least one (1) director representing Party A) so consent in writing. Such written consent shall be filed with the minutes of the Board and the action taken shall have the same force and effect as an action taken by the Board at an actual Board meeting. The directors of the Board may sign such consents in writing on separate paper and delivered to the Company by facsimile PROVIDED THAT the original copy shall be mailed or hand delivered to the Company without undue delay.

9.6.10 Directors of the Board shall serve without remuneration but all reasonable costs, including travel expenses incurred thereby or by their proxies in relation to attending meetings of the Board shall be borne by the Company.

10. Business Management of the Company

10.1 The Company hereby appoints Party B to manage the operations of the Company. A general manager (the "General Manager") who is appointed by Party B and approved by the Board shall be responsible for implementing the decisions of the Board. The General Manager shall be appointed for such a term of office as approved by the Board unless he is replaced by Party B.

10.2 The General Manager shall undertake the following responsibilities:

10.2.1 execute and implement the decisions of the Board and manage the day to day operations of the Company;

10.2.2 propose to the Board plans of the Company's management system;

10.2.3 propose to the Board specific operation rules and policies of the Company and the internal levels of internal authorizations and approvals;

10.2.4 the General Manager is authorised to approve any contracts up to a value of US\$100,000 and for any contracts above this value requires Board approval;

10.2.5 recommend for the Board the annual accounts, budgets and plans and manage the implements of such budgets and plans approved and as directed by the Board;

10.2.6 based on the labor plan approved by the Board, employ such employees as required from time to time and dismiss them in accordance with the PRC laws and regulations; and

10.2.7 carry out any other matters entrusted by the Board.

-17-

10.3 A deputy general manager (the "Deputy General Manager") shall be appointed by Party A. His or her appointment approved by the Board. The Deputy General Manager will assist and report to the General Manager. He or she will carry out duties as directed by the General Manager. The Board shall approve the term of the Deputy General Manager unless Party A replaces the Deputy General Manager.

10.4 A chief financial officer (the "Chief Financial Officer") of the Company shall be nominated by Party B and approved by the Board. The Chief Financial Officer is responsible for the accounts, financial status budgeting and financial control systems for the Company and reports to the General Manager. He or she shall be required to make periodical financial reports on the Company's financial status, budgetary matters and funding requirements of the Company to the Board and the General Manager. During the mining phase, after the Board has approved to proceed with mining of any deposits discovered by the Company as determined by the Bankable FS, a deputy chief financial officer (the "Deputy Chief Financial Office") of the Company shall be nominated by Party A and approved by the Board, to assist and report to the Chief Financial Officer. The Board shall approve the term of Chief Financial Officer and the Deputy Chief Financial Officer of the Company unless they are replaced by the Party appointing them.

10.5 Several department managers may be appointed by the General Manager, only on an as and when needed basis and approved by the Board. Department managers shall serve under the supervision of the General Manager and be responsible for the operation of the department for which he or she is appointed to be in-charge.

10.6 In case of dereliction of duty, criminal offence, fraud or otherwise non-performance on the part of the General Manager or Deputy General Manager or the Chief Financial Officer or the Deputy Chief Financial Officer, the Board may remove him or her from office at any time for cause.

10.7 Party B shall be entitled to be reimbursed for all direct and indirect costs incurred by it in its management of the operations of the Company as approved by the Board.

10.8 At the request of the General Manager, Party A shall provide necessary personnel on terms approved by the Board and provided that such terms are competitive and in accordance with industry standards, to assist the Company to function. Party A shall be entitled to recover from the Company all reasonable direct and indirect costs so incurred and approved by the Board.

-18-

11. Additional Funding of the Company

11.1 Additional Funding to Bankable FS

11.1.1 If the Board decides to require any amount of funding in addition to the US\$ 3.05 million contributed by Party B to the Company's registered capital to enable the Company to complete the Bankable FS, such additional funding shall be contributed by Party A and Party B to the Company's registered capital in accordance with their respective shareholdings in the Company, i.e. Party A 20% and Party B 80%. If Party A fails to contribute or elects not to contribute to its share of funding according to its equity shareholding in the Company within 30 days after the Board's decision, then Party B will contribute all the required funding until the Bankable BF has been completed, at which time the equity shareholding in the Company of Party A will be reduced to 10%.

11.2 Additional Funding to Construction, Production and Development of Mine

11.2.1 If the Board has determined, based on the Bankable FS, that the Gongguo Project is economically viable as a mining operation, the Company shall proceed with the construction and development of mines in the Project Area.

11.2.2 If, upon Party B's proposal, the Board decides to increase the registered capital and require additional contribution from both Parties for the purpose to fund the said construction and mining activities, Party A shall make an election with respect to one of the following options that are relevant to it within 3 months of the date that the Board approves the Bankable FS:

(A) if it has provided 20% of the additional contribution under Articles 11.1, Party A can elect to fund 20% of the total required capital contribution under Article 11.2.2; then Party B shall fund 80%;

(B) if it has provided 20% of the additional contribution under Articles 11.1 but elects not to fund 20% of the total required capital contribution under Article 11.2.2, its shareholding will be reduced to 10%;

(C) if its shareholder percentage has been diluted to 10% in accordance with Article 11.1 or the preceding (B), it can elect to contribute in proportion to its diluted shareholding percentage and Party B shall contribute 90%;

(D) if it has elected not to provide its share of contribution under 11.2.2, then Party B shall contribute 100% of the total required capital contribution, but 10% of which shall be contributed on behalf of Party A as a loan to Party A after having obtained proper approval and registration by the governmental authorities for such loan.

-19-

11.2.3 If Party A fails to make an election under Article 11.1 and 11.2.2 within the 3 month after relevant Board decisions, then Party A shall be deemed to have elected not to contribute in proportion to its share of equity interest in the Company.

11.2.4 Party A shall repay to Party B the principal and accrued interests of the loan provided in Article 11.2.2 (D) with all of its share of profit distributed by the Company within the shortest period possible. The interest shall be calculated at an aggregate interest rate of LIBOR plus 4% per annum. Before the above principal and interests are fully repaid, Party A shall not draw any profit from the Company. However, if the Company is dissolved before distributing any profit to Party A, Party A shall not be responsible for paying back to Party B any of the loan so provided by Party B.

11.2.5 Party A shall take all such actions and execute all such documents, including security documents, as Party B may require to record and validate such loan arrangement as provided in Article 11.2.2 (D) and Article 11.2.4. All loans funding must be within the PRC laws and approvals by the relevant government agency if required. In the event that the loan to Party A cannot obtain approval by competent governmental authorities, both Parties shall cooperate with each other to register such loan as provided by Party B to the Company subject to the same terms and conditions as provided in Article 11.2.4; then the Company shall be liable for repaying the principal and interests from its profit before profit distribution to either Party.

11.2.6 To secure any bank financing, the Company shall mortgage its assets, interests and rights in the Gongguo Project, as so required for the financing and as approved by the PRC governmental authorities where it is necessary. The Company shall repay the principal plus interest and other obligations pursuant to the terms and conditions of the loan agreement and each Party agrees that cash generated from the Gongguo Project may be retained, and be used, to repay the Company's funding requirements in accordance with the requirements of laws, the loan agreement and provisions of Article 11.

11.2.7 Each Party agrees to do all such things, and sign all such documents as may be required by the bank financiers to the Gongguo Project including the provision of the mortgages described in Article 11.2.6 in relation to the construction and development of the Gongguo Project within the framework of the law.

11.2.8 Each Party agrees to use their best endeavours to have the additional capital contribution and the change in each Party's equity interest percentage provided under this Article 11 approved by the Board and the original approval authorities.

11.3 Future Expansion of Company After the construction and development of the Gongguo Project is completed, the Company subject to the approval by the Board shall fund any future expansion.

-20-

12. Cash Distributions

12.1 The Net Revenue Generated by Operating Activities shall be paid in the following order:

12.1.1 income tax and any other taxes under Chinese Law;

12.1.2 sufficient working capital, comprising operating expenses, capital expenditure and statutory funds;

12.1.3 principal and other sums required to be paid under the loan agreement for any financing approved by the Board;

12.1.4 profit distribution to both Parties according to their percentage of equity shareholdings in the Company at the time of distribution.

12.1.5 If Party B provides a loan to Party A in accordance with Article 11.2.2 (D), the share of profit distributed to Party A shall be paid directly to Party B until all outstanding principal and interests owed by Party A to Party B as provided in Article 11.2.2 (D) and Article 11.2.4 have been fully discharged. For the purpose of this Article 12.1.5, Party A shall use its best endeavours to assist the Company and Party B in remitting abroad Party A's share of profit. If the direct payment from the Company to Party B as provided in Article 12.1.5 cannot obtain necessary approvals and permits, Party A shall pay its share of profit to Party B immediately after the profit is distributed into Party A's account by the Company.

12.1.6 Subject to the approval from competent tax authority, Party B shall be entitled to recover in advance, in full, its total equity contribution (including the 10% equity contribution it may have made on behalf of Party A, together with accrued interest thereon) in accordance with the most favourable tax treatment. Thereafter, the total fixed and intangible assets of the Company, upon expiration of the cooperation, shall be transferred to Party A free of payment.

13. Purchasing

13.1 Where price, purchase terms, conditions, specifications and quality are the same, the Company shall give preference to suppliers in PRC when purchasing equipment, materials, raw materials, office supplies, means of transportation, etc.

13.2 When the Company entrusts Party B to purchase overseas major mine and transportation equipment for the mine development phase, representatives from Party A may be involved.

14. Labor Management

14.1 A trade union shall, if required by law, be set up in the Company in accordance with relevant PRC laws and regulations.

-21-

14.2 Matters in connection with the employment, dismissal, salary, insurance, welfare benefits, rewards and punishments of the employees of the Company shall be promulgated by the Board in accordance with the PRC laws and regulations relevant to labour management of foreign investment enterprises, and shall be regulated by the labor contract concluded between the Company and the trade union or between the Company and the individual. Once the labor CONTRACT is concluded, it shall be filed with the local labor management authority.

14.3 Matters recommended by Party A and Party B in connection with the recruitment, salary structure, insurance, welfare benefits, and travelling expenses of the senior staff shall be decided by the Board.

15. Tax, Accounting and Auditing

15.1 The Company shall pay taxes and fees in accordance with relevant PRC laws and regulations.

15.2 The employees of the Company shall pay individual income tax in accordance with the Individual Income Tax Law of the PRC.

15.3 The Company shall set up reserve funds, expansion funds and welfare funds in accordance with the applicable PRC laws and regulations. The annual allocations to such funds shall be decided by the Board in consideration of the financial conditions of the Company and in accordance with applicable laws.

15.4 The fiscal year of the Company shall be from Jan. 1 to Dec. 31 of each year. All accounting records, vouchers receipts, account statements and reports, account books etc. shall be written in Chinese, while financial statements shall be written in English as well. Renminbi shall be the base currency for bookkeeping of the Company.

15.5 The Company shall engage an accounting firm registered in PRC to audit and verify the Company's financial affairs, and a report of which shall be submitted to the Board and both Parties.

15.6 If Party B considers it necessary to engage a foreign accounting firm registered in PRC to audit the Company's accounts, all expenses incurred shall be for Party B's account.

15.7 With reasonable advanced written notice to the Chief Financial Officer of the Company, Party A has full-auditing right to audit the Company's accounts, provided that such auditing activities shall be carried out in such a way that will not interfere with the normal operation of the Company. If gross discrepancies are found by such audit, Party B shall reimburse Party A for the cost incurred for such audit; otherwise, Party A shall be responsible for such cost.

-22-

16. Foreign Exchange

16.1 The Company shall open its foreign exchange account or accounts in a PRC bank or other financial institution or the branches thereof, or the branches of a foreign bank or other foreign financial institutions, registered in PRC authorized by the State Administration of Foreign Exchange (hereinafter referred to as "SAFE") to conduct foreign exchange business in PRC, or, subject to the consent of SAFE or to PRC laws, a PRC or foreign bank or other financial institution or the branches thereof outside of PRC.

16.2 The Parties shall use their best efforts to balance the Company's foreign exchange account through any means as may be permitted under applicable laws. If the Company is short of foreign currency, Party A agrees to assist the Company to obtain necessary approvals in accordance with applicable laws of the PRC. In addition, the Company shall convert Renminbi into United States dollars at the Foreign Exchange Trading Center of China, or any other financial institutions that are authorised to provide such conversion service in PRC to make such payment.

16.3 Both Parties agree to use the Company's foreign currency in the following order of priority unless otherwise required by law or determined by the Board:

16.3.1 foreign currency required to pay imported raw material, equipment, machines and spares;

16.3.2 payment of fees to third parties for technology transfer, insurance, transportation and other related fees, and import service fees;

16.3.3 salary, allowance and other normal payment of expatriate employees;

16.3.4 repay the loan principal, interest and other fees and costs stipulated in any loan agreement;

16.3.5 the distributable profit and other payments to Party B;

16.3.6 upon liquidation of the Company, Party B's entitlement on liquidation; and

16.3.7 other reasonable payments that must be paid by foreign exchange or approved by the Board.

17. Term of CONTRACT

17.1 This CONTRACT shall come into effect upon receipt of the required approval by the appropriate approval authorities (the "Approval Authorities").

17.2 The term of this CONTRACT shall be thirty (30) years commencing from the date of the approval thereof by the Approval Authorities.

-23-

17.3 At least twelve (12) months prior to the date of expiration of this CONTRACT, an application for the extension of duration shall be automatically submitted to the original Approval Authorities for a further term of thirty (30) years.

18. Amendment, Modification and Early Termination

18.1 Any amendment or modification to the CONTRACT shall only be valid after Party A and Party B have signed a written agreement approved by the original Approval Authority.

18.2 Grounds for Termination

18.2.1 The Parties may mutually agree in writing to terminate this CONTRACT at any time subject to the ratification of the Approval Authorities. No Party shall have the right to unilaterally terminate this CONTRACT except upon the occurrence of any one or more of the following events, in which case a Party may serve a written notice to the other Party of its desire to terminate this CONTRACT at any time:

(A) the other Party has committed any material breach of this CONTRACT to seriously affect the Company's business operation adversely, and such breach has not been substantially cured within one month upon written notice to the breaching Party by the non-breaching Party.

(B) the other Party becomes bankrupt, or is the subject of proceedings for liquidation or dissolution, or ceases permanently to carry on its business;

(C) the conditions or consequences of any force majeure (defined in Article 22.1) significantly interfere with the normal functioning of the Company for a period in excess of 3 months;

(D) the continued exploration, development or operation of the Project Area is, at any time during the term of this Contract, determined by Party B or the Board not to be viable in light of the exploration results or the Bankable Feasibility Study; or

(E) the Company is unable to achieve its business goal or has no opportunity to commence or develop its business operation.

18.3 Termination Procedure

18.3.1 If a Party gives notice pursuant to Article 18.2 of its desire to terminate this CONTRACT, the Parties shall, within 1 month after such notice is given, commence negotiations and endeavour to resolve the circumstances giving rise to such notification of termination. In the event no agreement is made by the Parties within 1 month after commencement of negotiations, the notifying Party may, unless the matter in dispute has been referred to arbitration in accordance with Article 24, legally terminate this CONTRACT by giving the other Party written notice of termination and such termination shall take effect upon the approval of the original Approval Authorities.

18.3.2 Notwithstanding any provision herein, Party B has the right at its sole discretion to determine that the Gongguo Project is not economically viable in accordance with Article 18.2.1 (D); such decision is final and binding upon both

Parties and neither Party has the right to challenge, revoke or restrict it. From the issuance date of the notice by Party B pursuant to Article 18.2.1 (D), Party B is not obligated to make any contribution to the Company's registered capital.

18.3.3 If all preconditions and procedures for terminating this Contract as provided in Article 18.2 and Article 18.3 have been satisfied, both Parties shall require the directors they appointed to the Board to vote in favour of the termination of this Contract and the dissolution of the Company.

18.4 Disposal of Assets Upon Early Termination

18.4.1 Upon early termination of this CONTRACT, subject to Article 18.3.1, the Company shall be liquidated in accordance with PRC laws. Upon satisfying all of the Company's outstanding debts and obligations, including any applicable taxes, any remaining assets after liquidation of the Company shall be distributed to Party A and Party B in accordance with the then profit share ratio of each Party in the Company. Party B shall have a priority claim to receive foreign exchange and foreign account receivable of the Company.

18.4.2 If Party B delivered the notice of its desire to terminate the CONTRACT to Party A in accordance with Article 18.2.1.(D), Party B shall transfer all of its interests to Party A at the price of 10 RMB, and thereafter, Party B shall not hold any interests in, share any risks or liabilities of, and bear any responsibility of the Company, unless in the course of the exploration gold resource in excess of 10 tonnes as confirmed by relevant governmental authority has been discovered by the Company, then Party B is entitled to a residual equity interest and the assets of the Company shall be distributed to Party B in proportion to its residual equity interest. Party B's residual interest shall be calculated in accordance with the following formula:

$$\text{Residual Equity Interest} = (\text{Total US\$ amount already contributed by Party B to the Company's registered capital} / \text{US\$3.05 million}) \times 100\%$$

-25-

18.4.3 When both Parties decide to terminate the CONTRACT, Party A shall not be required to pay anything to Party B.

18.5 Disposal of the Assets upon Expiration of the CONTRACT

18.5.1 If all of the Company's outstanding debts and obligations are satisfied, including any applicable taxes, any remaining assets after liquidation of the Company shall, subject to Article 18.5.2, be distributed to Party A and Party B in accordance with the then profit share ratio of each Party in the Company.

18.5.2 If the PRC tax authority has approved special tax concessions in respect of recovering Party B's cash contribution and Party B has recovered in full all of the cash contributed by it, plus the interest as defined in the Article 12.1.5., the current assets of the Company shall be distributed to Party A and Party B in accordance with the then profit share ratio of each Party in the Company. Party B shall have a priority claim to receive foreign exchange and foreign exchange account receivable of the Company. All the fixed assets of the Company shall be transferred to Party A free of payment.

19. Insurance

19.1 The Company shall maintain necessary insurance with an insurance company organized in PRC or with any foreign insurance company permitted to engage in insurance business in PRC. The Board shall decide the types, coverage, amounts, values and duration of such insurance.

20. Confidentiality

20.1 Without the prior written consent of the other Party, no Party shall furnish, disclose or make accessible to any third party any confidential or proprietary business or technical information and data or trade secret received by the Company from any of the Parties hereto, from the date of receipt of such information and data till the end of the 2nd year after the date of expiration or early termination of this CONTRACT.

20.2 Article 20.1 shall not apply:

20.2.1 to the Party's Directors, the General Manager(s), and any other employees and its bankers, accountants, auditors, attorneys, suppliers, consultants and potential partners of the Company who need to have access to such information or data to make their decisions and to perform their responsibilities, PROVIDED THAT the disclosing Party shall take appropriate measures to assure that such entities and persons shall keep the disclosed information and data private and confidential;

20.2.2 to information that a Party is required to disclose under applicable law to any government or governmental agency or to its shareholders or to the public or to any applicable stock exchange; and

-26-

20.2.3 to a Party's affiliated enterprises, PROVIDED THAT such affiliated enterprises to which such disclosure is made agrees in writing to maintain confidentiality in accordance with the terms of Article 19.1.

21. Liability for Breach of CONTRACT

21.1 Should all or part of this CONTRACT not be fulfilled due to one Party's fault, the defaulting Party shall bear responsibility for breach of CONTRACT. Should it be the fault of both Parties, they shall bear their respective responsibility for breach of CONTRACT according to the actual situation.

22. Force Majeure

22.1 Should either of the Parties be prevented from performing this CONTRACT or any of its obligations by a force majeure event, including but not limited to earthquake, typhoon, flood, fire, and other forces of nature (hereinafter collectively referred to as "Natural Disasters") and other accidents and events whose happening and consequences are unpreventable, unavoidable and beyond the control of the prevented Party, the prevented Party shall forthwith notify the other Party by facsimile of such force majeure and with fifteen days thereafter provide detailed information and valid evidence of the accidents and events explaining the reason of its inability to perform all or part of its obligations under this CONTRACT or delay in the performance of its obligations under this CONTRACT.

22.2 Neither Party shall be relieved from its obligations to provide its cooperative conditions due to a force majeure event other than as a result of a Natural Disaster.

22.3 Subject to Article 22.2, based upon the impact of the events on the performance of its obligations under this CONTRACT, both Parties shall, through immediate consultation, decide whether to terminate the CONTRACT or to modify the obligations of the Parties.

22.4 Subject to Article 22.2, neither Party shall be held liable to the other Party for the damages or losses thereto caused by force majeure.

23. Applicable Law

23.1 The formation, validity, interpretation, execution, amendment, termination of the CONTRACT and settlement of any disputes arising thereunder shall be governed by PRC law. In case there is no PRC law governing a particular matter relating to this CONTRACT, reference shall be made to general international commercial practice.

-27-

24. Dispute Resolution

24.1 The Parties shall try to settle any dispute arising from or in connection with the CONTRACT through friendly consultation. In case no settlement can be reached through such consultation within 60 days after the commencement of discussions or such longer period as the Parties may agree to in writing, then such dispute shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing, and the arbitration shall be conducted according to its arbitration rules, except that Party A hereby expressly agrees that it shall select a non-Chinese arbitrator from the panel.

24.2 The Arbitration Tribunal shall have three arbitrators. Party A and Party B shall each appoint one arbitrator and the third arbitrator shall be appointed by the chairman of the International Economic and Trade Arbitration Commission and shall serve as chairman of the Arbitration Tribunal.

24.3 The arbitration award shall be final and binding on the Parties, and the Parties agree to be bound thereby and act accordingly.

24.4 The costs of arbitration including all reasonable legal fees shall be borne by the losing Party or shared by the Parties as specified in the arbitration award, unless otherwise agreed by the Parties.

24.5 When any dispute arises and is submitted to arbitration, the Parties shall be entitled to continue to exercise their respective rights and obliged to fulfil their respective obligations which are unaffected under this CONTRACT.

24.6 Any arbitration award may be enforced in any court having jurisdiction and may be submitted to any such court for judicial acceptance.

25. Languages

24.1. This CONTRACT and all appendices hereto shall be written in Chinese and English in duplicates. Each Party shall hold three (3) original copies of each version. Both versions are equally authentic.

26. Effectiveness of the CONTRACT and Miscellaneous

26.1 This CONTRACT and all appendices hereto shall come into force on the date it is approved by the Ministry of Commerce (or its designated Approval Authority).

-28-

26.2 Any notice or written communication required by or provided for in this CONTRACT by one Party to the other shall be made in English and Chinese and given to the other Party by personal delivery, registered airmail or facsimile at the location or fax number set forth in Article 2.1 unless the same is changed by notice given in writing to the other Party. The date of receipt of a notice or communication hereunder shall be deemed to be 15 days after its postmark in the case of an airmail letter and 2 working days from the date of personal delivery or dispatch by confirmed facsimile transmission. In the case of facsimile transmission, the original shall be delivered by airmail or personal delivery.

26.3 Failure of a Party to exercise its rights or take any action in connection with a breach of this CONTRACT by the other Party shall not be deemed to be a waiver of the breach of the breaching Party's liabilities or obligations. Any waiver at any time, by any Party hereto, of any of its rights with respect to the other Party, or with respect to any breach, liabilities or obligations of the other Party arising in connection with this CONTRACT shall not be considered a waiver of any other rights or with respect to any subsequent breach or liabilities or obligations of the other Party.

26.4 This CONTRACT and any of its attachment thereto constitute the entire agreement between Party A and Party B with respect to the subject matter of this CONTRACT and supersede all prior discussions, negotiations and agreements between them.

26.5 Any matters not covered or fully provided in this CONTRACT shall be resolved and agreed to by the Parties through friendly negotiations.

IN WITNESS THEREOF, this CONTRACT is executed in Kunming, Yunnan Province, PRC by duly authorised representatives of Party A and Party B on this date 23 April 2004.

Yunnan Nonferrous Geology and Mining Ltd.

Luna Gold (China) Corp.

Name: Lang Zhijun
Position: Chairman

Name: David DeWitt
Position: President

Signature: /s/ Lang Zhijun

Signature: /s/ David DeWitt

-29-

Appendix 1

DEFINITIONS

"Approval Authority" shall mean the Ministry of Commerce of PRC, its designated local offices or their successors.

"Articles of Association" shall mean the Articles of Association of the Company.

"Bankable Feasibility Study" shall mean a detail evaluation of any mineralisation within the Project area that allows the Company to finance the construction of the mine to exploitation of such mineralisation that includes but not limited to detail exploration, ore reserves estimates, engineering studies and costing, environmental studies and financial projections and must meet all governmental requirements.

"Board" or "Board of Directors" shall mean the Board of Directors of the Company established with Article 8 in this Contract.

"Business License" shall mean the business license of the Company issued by the State Administration for Industry and Commerce that this Contract is approved.

"Company" shall mean Xinlong Mineral Resources Co., Ltd., following its establishment as a company formed by the Parties pursuant to this Contract.

"Contract" shall mean the Joint Venture Contract dated 23 April 2004 and executed by and between Yunnan Nonferrous Geology and Mining Ltd. of Yunnan Province and Luna Gold (China) Corp. or its associated company at Kunming City, Yunnan Province, PRC.

"Exploration Right or Rights" shall mean the exclusive license or licenses to carry out exploration in the Project Area, already held or applied for by or on behalf of the Company according to this Contract according to the laws of the PRC including the exploration right held by the Geological Team No. 2 as in Appendix 3.

"Exclusion Areas" shall mean areas within the Project Area that are excluded for the cooperation between the Parties according to this CONTRACT as in Appendix 2.

"Joint Venture Area" shall mean the area designated as the "Project Area" that the Parties in this contract have agreed to cooperate according to this CONTRACT.

"Lease Contract" shall mean the Lease Contract of Xiaoganqin No.1 Ore Body, a copy of which is attached hereto as Appendix 5.

"Lessee" shall mean Huang Xinglang, the contractor to the Lease Contract.

-30-

"LIBOR" shall mean the average of the rates, per annum, expressed as a percentage which are displayed on Reuters Page "LIBOR" at or about 11.00am(London Time) on the relevant date for United States Dollar deposits for delivery during the relevant applicable period or, if no such period, 90 days.

"Mining Right or Rights" shall mean an exclusive license or licenses to commercially mine the gold and other metals or minerals in the Project Area, already held or applied for on behalf of the Company according to this Contract according to the laws of PRC.

"Net Revenue" shall mean the total revenue generated by the Company after deducting all total operating costs, all governmental taxes, all marketing costs, all interest charges and any other costs incurred in generating such revenue.

"PRC" shall mean the People's Republic of China.

"Pre-bankable Feasibility Study" shall mean preliminary prospecting and exploration and any other work required to allow the Company to decide to proceed with the Bankable Feasibility Study.

"Project Area" shall mean the area designated in the Plan attached in Appendix 2 of this Contract.

"RMB" shall mean Renminbi being the lawful currency of the PRC.

"US\$" or "United States Dollars" shall mean the lawful currency of the United States of America.

JOINT VENTURE CONTRACT

1. General Principles

THIS CONTRACT is made by and between YUNNAN NONFERROUS GEOLOGY AND MINING LTD OF YUNNAN PROVINCE and LUNA GOLD (CHINA) CORP. for the establishment of Xinan Mineral Resources Co. Ltd. and the joint exploration and if successful mining of viable deposits discovered in the Dongchuan and its surrounding area, approximately **** km² (hereinafter referred to as the "**Dongchuan Project**" or the "**Project Area**") in Yunnan Province, People's Republic of China ("PRC") and other agreed projects in the PRC in accordance with the "Laws of the People's Republic of China on Chinese-Foreign Cooperative Enterprises" and other applicable relevant PRC laws and regulations, based on the principle of equality and mutual benefits and through friendly consultations. Unless the terms or context of this CONTRACT otherwise provide, the words and phrases set out in Appendix 1 shall have the meanings set out in that Appendix when used in this CONTRACT and the Appendices hereto.

2. Parties to this CONTRACT

2.1 The parties to this CONTRACT

(hereinafter referred to jointly as the "**Parties**" and individually as a "**Party**") are

Yunnan Nonferrous Geology and Mining Ltd. of Yunnan Province

("Party A"), a company registered in Yunnan Province, PRC with its place of business at "No. 93 Remin East Road, Kunming, Yunnan Province 650051, P.R.C. "

Fax: 86-871-3177670

Legal Representative: Lang Zhijun

Position: Chairman

Nationality: Chinese

Luna Gold (China) Corp.

("Party B"), a subsidiary of Luna Gold Corp., or its associated company, registered in British Virgin Islands with its place of business at Suite 1600, 777 Dunsmuir Street, P.O. Box 10425, Pacific Centre, Vancouver, British Columbia, Canada V7Y 1K4

Fax: (1-604) 688-0094 with copy to Fax: (612) 9983 1682

Legal Representative: Lee Mun-Kit

Position: Chairman

Nationality: Australian

3. Establishment of Joint Venture

3.1 Establishment of Joint Venture

In accordance with the "Law of PRC on Chinese-Foreign Co-operative Enterprises" and other applicable PRC laws and regulations, **Party A** and **Party B** hereby agree to establish a Sino-foreign cooperative joint venture company in Yunnan Province, PRC.

- 1 -

3.2 Name and Address

The Chinese name of the **Company** shall be: (tentative)

The English name of the **Company** shall be Xinan Mineral Resources Co. Ltd. (Tentative)

The legal address of the **Company** shall be: No.93 Ren Min Dong Rd., Kunming, Yunnan Province, PRC.

3.3 Law

The **Company** shall be subject to the jurisdiction and protection of the laws and regulations of PRC. All activities shall be in compliance with the laws and regulations of PRC.

3.4 Limited Liability

The **Company** is a limited liability company. The liability of **Party A** and **Party B** shall be limited to the amount of their respective contributions.

3.5 Formation of the Company

The **Company** shall be established on the date of the issuance of its business license.

3.6 Prior Act and Indemnification

3.6.1 Subject to Article 3.6.2 below, neither **Party** shall be liable to the other **Party** for any loss or damages claimed by any third party arising from acts or events which occurred prior to and after the date of the establishment of the **Company**. Subject to the provisions in Article 3.4 above, the **Company** shall indemnify each **Party** against any and all losses, damages or liabilities suffered by each **Party** in respect of third party claims arising out of the operation of the **Company**.

3.6.2 The **Company** and **Party B** shall not be liable for any acts or omissions that have occurred in the activities of the **Project Area** prior to the assignment of the current **Exploration Rights** to the **Company**, such acts or omissions to include, without limitation, environmental pollution; and the **Company** and **Party B** shall not be liable for any acts or omissions that might occur in the future as a result of any actions by **Party A** including without limitation any and all liabilities for environmental pollutions. In case of any claim against the **Company** and/or **Party B** for the liabilities for the foresaid acts and omissions, **Party A** shall use its best endeavours to hold the **Company** and/or **Party B** harmless from such claims and shall indemnify the **Company** and **Party B** against any damages and loss caused by such claims.

- 2 -

3.7 Change of Law

In the event that after the execution of this CONTRACT and any Appendices hereto, the issuance, amendment, supplement or rescission by government or any subdivision or agency thereof of any applicable tax, customs, foreign exchange or other laws, rules, regulations, policies or changes of any interpretations thereof may allow treatment to the **Company** or either of the **Parties** different to that agreed in this CONTRACT, both **Parties** shall take appropriate actions:

3.7.1 in case of a favourable change to enable the **Company** or that **Party** to receive that favourable treatment; or

3.7.2 in case of a detrimental change, the **Parties** shall meet to resolve how to deal with such changes but with the intent that the profit sharing arrangements and the management and the control of the **Company** shall not be altered from that provided in this CONTRACT. If agreement cannot be reached, then the relevant issues shall be determined in accordance with Article 17 of this CONTRACT.

4. Purpose, Scope and Scale of Business Operations

4.1 Purpose

The purpose of the **Company** is initially to conduct prospecting and exploration work on the Project Area (the "**Pre-bankable Feasibility Study**") and thereafter, if **Party B** considers the results of the **Pre-bankable Feasibility Study** justify it, to conduct a bankable feasibility study in respect to the **Project Area (the "Bankable Feasibility Study")** to investigate the viability of mining the metals including but not limited to gold and silver ores, copper, lead and zinc ores and iron ores in the **Project Area (the Pre-bankable Feasibility Study and the Bankable Feasibility Study** hereinafter shall collectively be referred to as the "**Bankable FS**"). If the **Board** has determined to proceed with the Dongchuan Project based on the **Bankable FS**, the **Company** shall thereafter conduct the mining operations within the **Project Area**, including without limitation, ongoing exploration, development, production and sale of gold, gold concentrate, other metals and minerals mined in any such mine or the **Project Area**, by adopting advanced and appropriate technologies and scientific management methods in order to achieve business results satisfactory to both **Parties**.

4.2 Business Scope of the Company

4.2.1 The **Company** shall engage in prospecting, exploration, mining, development, production and sale of gold, gold concentrates, other metals and minerals (the "**Products**").

4.2.2 The **Products** shall be sold by the **Company** as stipulated by the prevailing PRC laws based on the international prices. IT BEING THE INTENT that the **Company** shall obtain an international marketing price permit as early as possible.

- 3 -

4.2.3 After the **Parties** agree that the activities of the **Company** may be extended to include other projects in the PRC, subject to the approval of the **Board**, **Party A** agrees to assist the **Company** in every way possible to achieve all agreed new activities.

4.3 Scale of Business Operations

The actual production scale and the total amount of the investment required to develop, mine and produce Products from the Dongchuan Project shall be decided by the **Board** based on the results of the **Bankable Feasibility Study** and the then prevailing market conditions.

4.4 Project Area

4.4.1 The **Project Area** is defined by the map in Appendix 2 and covers an area approximately 1,500 square kilometres. **Party A** currently holds three Exploration Rights, namely a. Laohuoshan (101.46 sq. km); b. Jiduosikeshu (100.68 sq. km) and c. -Xicha - Daliangzi (40.48 sq km); and two Exploration Rights Application a. Budo (95.2 sq. km) and b. Lumuo (122.28 sq. km) within the **Project Area**. The Exploration Rights and Exploration Right Applications are detailed in Appendix 3 attached hereto. The Exploration Rights are currently registered under the name of **Party A** subsidiary entity Yunnan Non-ferrous Geology & Exploration Institute and the Exploration Rights Applications have been submitted to relevant governmental authority by Yunnan Non-ferrous Geology & Exploration Institute.

4.4.2 **Party A** shall provide all information on geology, past exploration and mining activities it or any of its related units has at its or any of its related unit's disposal to the **Company** so as to enable the Company to select new areas and apply for or accept the transfer of exploration and or mining rights in addition to the existing exploration right currently being held by **Party A** as included in the Appendix 2 and Appendix 3.

4.4.3 **Party A** shall transfer all the exploration rights and/or any mining rights it or any of its related units currently holds within the **Project Area** to the **Company** upon the **Company's** request. With the **Company's** written consent as approved by the **Board**, **Party A** may, in its discretion, dispose of any of the rights that are not selected by the **Company** provided however that **Party A** is solely responsible for any liabilities associated with any rights that it may decide to dispose of in accordance with this Article 4.4.3

4.4.4 If either **Party** or its related unit wishes to apply for exploration or mining right for any particular area within the **Project Area**, it must notify the **Company** first and grant the **Company** the first right of refusal to apply for exploration or mining right for such area. If the **Company** elects to file such application and apply for such exploration or mining right then the **Company** does not have to pay for such right. If the **Company** elects not to proceed with such application, then with the written consent of the **Company**, such **Party** or its related unit may act freely, including act jointly with a third party, provided that such Party shall be solely responsible for any liabilities associated therewith.

- 4 -

4.4.5 The **Company** may, at any time during the term of this Contract, relinquish part of the Project Area or may decide to relinquish the entire area comprising the **Project Area**. Either **Party** has the right to apply for exploration or mining right for the relinquished area, provided that such **Party** shall be solely responsible for any liabilities associated therewith. Upon either **Party's** request, the **Company** will assist such **Party** to do so.

5. Registered Capital, Total Amount of Investment and Profit Distribution Ratio

5.1 Registered Capital

5.1.1 The initial registered capital of the **Company** shall be US\$3.1 million which is the amount estimated by **Party B** required to complete the initial exploration work program in the **Project Area**.

(A) **Party B** shall be responsible for subscribing for the initial US\$3.1 million worth of registered capital according to the schedule in Article 6.2.2.

(B) Any additional contribution to and increase of the Company registered capital shall be done in accordance with Article 6.5.2, Article 6.8 and Article 11.

5.2 Total amount of investment

The total amount of investment by the Company shall be US\$ 6.2 million. The **Company** may satisfy the difference between its registered capital and its total amount of investment by procuring loans.

5.3 Profit Distribution Ratio

Subject to Article 12, the profit generated by the **Company** shall be distributed to the **Parties** in proportion to their respective equity interest percentage, as adjusted from time to time in accordance with this Contract.

6. Provision of Cooperative Conditions

6.1 Cooperative Conditions to be Provided by Party A

6.1.1 **Party A** shall provide the following as its initial cooperative condition (the "**Initial Cooperative Conditions**") to the **Company** at the establishment of the **Company**:

(A) the Laohuoshan and the Jiduosikeshu exclusive Exploration Rights (the Laohuoshan Exploration License No. 5300000420019 and the Jiduosikeshu Exploration License No.: 5300000310199) including any rights that any of its related units currently hold in the **Project Area**. **Party A** shall first acquire the above Exploration Rights in its own name at its own cost and, then, apply to the relevant government agency to transfer these Exploration Rights to the **Company** and submit all documents required by such transfer within 30 days of the **Company** being granted its business licence and shall make its best endeavours to complete the transfer within the shortest period possible. **Party A** shall provide to **Party B** a copy of all abovementioned documents the soonest possible.

- 5 -

(B) **Party A** shall, immediately after the issuance of the **Company's** business license, provide the **Company** with legal access to all part of the **Project Area** for the purpose of undertaking exploration work and preparing a geological report.

(C) all reports prepared in respect of, the **Project Area** to enable the **Company** to carry out initial exploration and complete the **Bankable FS**.

(D) all data and plans with respect to the geology, exploration and mining within the **Project Area** at its or any of its related unit's disposal or obtainable as provided in Article 4.4.2.;

(E) **Party A** will provide technical staff and facilities to the **Company** at the request of the **Company** or the **General Manager** as long as the costs of such technical staff and facilities are competitive in accordance with industry standards and approved by the **Company** or the **General Manager**; and [Comment: why delete this?]

(F) **Party A** will have priority to be contracted to perform exploration work by **Company** as long as the contract charges will not be higher than any other contractors and they can satisfy the **Company** and the **General Manager**

that the contract is carried out in a professional and business like manner and meet the standards required by the **Company** and the **General Manager**. Each contract will be negotiated and signed by **Party A** or its associated unit as the **Contractor** and the **Company** as the client.

(G) If the **Board** has determined to proceed with the development, mining and production of the Dongchuan Project based on the results of the **Bankable FS**, then **Party A** shall:

- a. assist the **Company** to apply for the exclusive Mining Right in the **Project Area** in accordance with PRC laws;
- b. assist the **Company** to apply or secure for any land use rights required and requested by the **Company**.
- c. Provide additional funding in accordance with Article 11;
- d. assist the Company in obtaining any other approvals, licenses or registration necessary for mining operations.

- 6 -

6.2 Cooperative Conditions to be Provided by Party B

6.2.1 **Party B** shall, subject to Article 6.7.1 and Article 18.3.2, provide the following assets as its initial Cooperative Conditions:

- (A) Cash in an amount of US\$ 3.1 million as contribution to the **Company** registered capital.
- (B) Any additional funding required by the Company in accordance with Article 11.
- (C) the technical and management expertise necessary for the management of the business of the **Company**.

6.2.2 **Party B** shall pay the above US\$ 3.1 million into the Company in accordance with the following time schedule after Party A has completed its contribution as provided in Article 6.1.1 (A) and (B):

Timing from Issuance of Business License	Paid-in registered capital
Within three months	US\$ 0.465 million
Within first year	US\$0.135 million
Within second year	US\$1.00 million
Within third year	US\$1.50 million
Total	US\$ 3.10 million

Within 45 days after the signing of this CONTRACT, **Party B** will remit to **Party A** a sum of US\$0.10 million. This amount is an advance for expenses for pre-operating expenses to obtain government approvals, business licence and registration fees for the **Company**. This amount shall be credited as part of **Party B** contribution to the **Company** as in Article 6.2.1 (A). If this amount of US\$0.10million is not remitted within the 45 days, this CONTRACT will be terminated without incurring any liability for breach of contract on Party B unless **Party A** agrees to extend this 45 day period.

In the event that Party A fails to perform any part of its contribution obligations, Party B shall have the right to suspend its capital contribution until Party A's failure has been rectified to Party B's satisfaction.

6.3 Representations and Warranties

6.3.1 **Party A** hereby represents and warrants that

(A) it has lawfully obtained all permits required for exploring the reserves in the **Project Area** from the appropriate governmental authorities.

- 7 -

(B) It is a company duly established, validly existing and in good standing in accordance with PRC laws;

(C) It holds all necessary power and authorization and all necessary licenses and permits to execute and perform this Contract and be bound by the terms and conditions hereof. The execution, delivery and performance of this Contract will not violate any provisions of its Articles of Association, any obligations assumed by it under other contracts to which it is a party and PRC laws;

(D) From the date hereof to the date of transfer to the **Company**, the **Exploration Rights** will be solely owned by **Party A** and free from any third party's interests, and **Party A** is the only person conducting exploration and mining activities within the **Project Area**;

(E) On the date of contribution, there is no activity by any person within the spaces and areas covered by the **Exploration Rights** to be contributed or transferred by it to the Company, which may hinder the transfer of the said rights to the Company, and there is no disputes, potential or present, which may hinder the said transfer and contribution to the **Company** under this Contract; and

(F) its representative whose signature is affixed to this Contract has been duly authorized to execute this Contract.

6.3.2 **Party B** hereby represents and warrants that:

(A) **Party B** is a company duly incorporated, validly existing and in good standing under the laws of British Virgin Islands;

(B) **Party B** holds all necessary power and authorization and all necessary licenses and permits to execute and perform this Contract and be bound by the terms and conditions hereof. The execution, delivery and performance of this Contract by **Party B** will not violate any provisions of **Party B's** Articles of Association, any obligations assumed by it under other contracts to which it is a party and the laws of British Virgin Islands; and

(C) **Party B's** representative whose signature is affixed to this Contract has been duly authorized to execute this Contract.

6.4 Schedule of Provisions of Cooperative Conditions

6.4.1 Both **Parties** shall, provide their respective cooperative conditions to the **Company** in accordance with the applicable PRC laws.

- 8 -

6.4.2 **Party B** shall, subject to the provisions of Articles 18.3.2, progressively over the period as in schedule in Article 6.2.2 contribute its cooperative conditions up to initial Registered Capital of US\$3.1 million in accordance with Article 5.1.1 and based upon the needs of the actual operations and requirements of the Company, as determined by the **Board**, and as required by the PRC laws.

6.5 Proportions of Equity

The proportions of the equity of the **Company** shall be decided by the cooperative conditions contributed by the **Parties** as follows:

6.5.1 When both **Parties** have made their initial Cooperative Conditions as required under this CONTRACT, **Party A** shall hold 30% of the shareholdings of the **Company** and **Party B** shall hold 70% of the shareholdings of the **Company**.

6.5.2 **Party B** shall have the right to increase its shareholding in the Company from 70% to 90% and reduce the shareholding of Party A from 30% to 10%, by investing an additional US\$3.9 million into the Company registered capital on a schedule as determined by the Board and by paying a share transfer price or compensation fee to **Party A** at a rate of 53.85% of this additional investment made by **Party B** as such additional investment is being made but no more than a total of US\$2.1 million; both Parties agree that upon Party B request to increase its shareholding ratio and its investment into the Company registered capital as provided in this Article 6.5.2, they shall make their best endeavours to make the directors they respectively appoint to the Board of Directors to vote in favour of Party B request and shall cooperate with each other in achieving the increase of Party B shareholding ratio as provided herein.

6.5.3 When additional capital contribution is required for the **Bankable FS** and the completion of the Dongchuan Project as so decided by the **Board** after **Party B** has completed its total capital contribution (including its initial capital contribution and the capital contribution provided in the preceding Art. 6.5.2), either Party proportion of equity shall be determined in accordance with Article 11.

6.6 Verification and Certification

When any **Party** has completed its total cooperative contribution, an accounting firm registered in the PRC shall be engaged by the **Company** to verify such contributions and issue a verification report to such effect. The **Company** shall within 14 days thereafter provide an investment certificate to that **Party**. Each certificate shall bear the name of the **Company**, the date of its establishment, the name of the **Party** and its cooperative conditions required and the date of the issuance of the contribution.

6.7 Operation Unprofitable

6.7.1 Notwithstanding any provisions herein, if the **Board** decides, at any time during the term of this Contract, that, based upon the results of the exploration work on the Project Area or based on the results of the **Pre-Bankable Feasibility Study** or the **Bankable FS** that the operation of the Dongchuan Project is unprofitable then,

neither **Party** has the obligation to make any contribution in whatever form to the Company other than those that have been already contributed to the **Company** in respect to the Dongchuan Project.

6.7.2 In the event of the Board decision under Article 6.7.1, unless the **Parties** have agreed to enter into any other project or projects in respect of the Dongchuan Project, the **Parties** shall terminate this CONTRACT and dissolve the **Company** as provided in Articles 18.3.2 and **Party B** shall have no further interest in, or liability with respect to the Dongchuan Project and the Company shall return all materials, Exploration Rights and Mining Rights with the exception that when **Party B** is entitled to a residual interest as in Article 18.4.2.

6.8 Change of Registered Capital of the Company

6.8.1 The **Company** may increase, decrease, assign or otherwise change the registered capital of the **Company** in light of its business needs in accordance with the terms with this CONTRACT as well as the approval of the **Board** and the original approval authority. Once the **Company** has decided to make such changes, both **Parties** shall consent and cooperate with the **Company** to seek approval from the relevant government authorities.

6.8.2 Both Parties agree that the increase of the Company registered capital shall be based on the need to provide additional funding to the Bankable BF or to the mining, construction, production and development within the Project Area and that only Party B has the right to propose the increase of the registered capital. Upon Party B proposal, both Parties shall use their best endeavours to make the directors they appointed to the Board to vote in favour of such increase and to assist the Company in obtaining necessary approval by the original approving authority for such increase. The increased registered capital shall be contributed by both Parties in the ratio as provided in Article 11, unless otherwise provided in Article 6.5.2.

7. Acquisition of Exploration Rights by the Company

7.1 Existing Exploration Rights

7.1.1 Party A shall, within 30 days, submit the applications to competent approving authorities for transferring to the **Company** Xicha -Daliangzi Exploration Right (Exploration License No. 5300000310810); Budo Exploration Right Application and Lumuo Exploration Right Application, after so requested in writing by the **Company** and shall do its best endeavours to complete the transfer within the shortest period possible.

7.1.2 In consideration of the transfer of the Exploration Rights as specified in the preceding paragraph, the Company shall pay to Party A the purchase price in accordance with the following time schedule and formula after the Company has obtained the Exploration Licenses issued by the competent authorities in respect of the Exploration Rights transferred as specified in the preceding Article 7.1.1:

**Timing from the issuance of
the Business License**

**Amount paid to Party A
equal to**

Within 12 months Paid-in registered capital within this period X 35% but no more than US\$ 210,000 *

Within 12 to 24 months Paid-in registered capital within this period X 35% but no more than US\$ 350,000

Within 24 to 36 months Paid-in registered capital within this period X 35% but no more than US\$ 525,000

7.1.3 The payment of the transfer price as stipulated in Article 7.1.2 is condition upon the Company has been provided fully and legal access to all parts of the Project Area to conduct exploration work and Bankable BF. If for whatever reason, the above condition (i), and (ii) is not fulfilled, the Company shall have the right to suspend the payment of purchase price to Party A until such unfulfillment is rectified to the satisfaction of the Company and Party B.

8. Responsibilities of the Parties

8.1 Responsibilities of Party A

8.1.1 **Party A** shall be responsible for

- (A) fulfilling its cooperative conditions in accordance with the terms and conditions as provided under this CONTRACT;
- (B) obtaining in the **Company's** name all approvals, permits, licenses and registrations from and with the PRC authorities for the due establishment, the good standing and the normal operation of the **Company**, including but not limited to obtaining favourable tax treatment and filing of the international loan agreement with the appropriate administration for exchange control in order to repay any obligation or liability arising out thereof;
- (C) assisting the **Company** in obtaining all necessary credits or funds from financial institutions inside or outside PRC for the business operation of the **Company** as approved by the **Board**;
- (D) providing the **Company** with all necessary documents for the purpose of financing of the **Dongchuan Project**.
- (E) assisting the **Company** in applying for exploration licenses or mining permits, in other areas not included within the **Project Area** as directed from time to time by the **Board**;

- (F) assisting the **Company** with the import of machinery, equipment, materials and supplies required by the **Company**, and assisting with the transportation thereof within the PRC as directed by the **Board**;
- (G) assisting the **Company** in obtaining Chinese machinery, equipment, external water supply, transportation, communications and other items required for the **Company's** operation at competitive prices in accordance with local industry standards as approved by the **Board**;
- (H) assisting the **Company** in recruiting qualified Chinese employees and obtaining all entry visas and work permits for the **Company's** foreign staff and employees in accordance with applicable laws and regulations, arranging lodging of the foreign staff and providing office, local transportation and medical emergency; and
- (I) assisting the **Company** in handling other matters entrusted to it by the **Company** from time to time.

8.2 The Responsibilities of Party B

8.2.1 Party B shall be responsible for:

- (A) fulfilling its cooperative conditions in accordance with the terms and conditions as provided under this CONTRACT;
- (B) assisting the **Company** in obtaining all necessary credits or funds from financial institutions inside or outside PRC for the business operations of the **Company** as approved by the **Board**;
- (C) assisting the **Company** in procuring equipment and machinery, raw materials and other supplies for the operation of its business from outside PRC as approved by the **Board**;
- (D) providing advanced technical and management expertise to the **Company**; and
- (E) assisting the **Company** in handling other matters entrusted to it by the **Company** from time to time.

8.3

The Company shall subject to the Board approval, reimburse all costs incurred by either Party for performing the above responsibilities.

9. Board of Directors

9.1 Establishment of Board of Directors

The **Company** shall have a Board of Directors (the "**Board**") that **Board** shall be established as of date of the issuance of the business license of the **Company** by the relevant government authority.

- 12 -

9.2 Number of Directors

The **Board** shall consist of five (5) directors; two (2) of whom shall be appointed by **Party A** and three (3) of whom shall be appointed by **Party B**. The number of directors that each **Party** is entitled to appoint shall only be adjusted upon change of respective equity shareholdings of the **Parties** in the **Company**. If **Party A** equity is reduced to 10%,

then the Board will consist of one (1) director from Party A and four (4) from Party B. Party B shall, from among its representatives on the Board, appoint the chairman of the Board (the hairman ; Party A shall, from among its representatives on the Board, appoint the vice-chairman (the ice-Chairman of the Board. The term of office of a director shall be three (3) years, but any director may serve consecutive terms if re-appointment by the Party which originally appointed that director. Each Party can also replace its appointments at any time.

9.3 Board Actions

9.3.1 The **Board** shall be the highest authority of the **Company** and shall decide all important matters pertaining to the **Company**. Unanimous approval of the **Board** at a duly convened **Board** meeting shall be required before any decisions are made concerning the following important matters of the **Company**:

- (A) amendment of the Articles of Association;
- (B) termination and dissolution of the **Company**;
- (C) transfer of the registered capital of the **Company**;
- (D) merger of the **Company** with any other economic organisation;
- (E) mortgage of the **Company's** property and assets;
- (F) any change in the policy of the cash distributions as in Article 12; and
- (G) other matters the **Board** decides to require unanimous approval thereof.

Other matters shall be decided with simple majority approving votes of the directors present at a duly convened Board Meeting.

9.4 The Chairman

The **Chairman** of the **Board** shall be the legal representative of the **Company**. Should the **Chairman** of the **Board** be unable or unwilling to perform his or her duties for any reason, then he or she may temporarily authorise the **Vice-Chairman** or any director to perform his or her duties on his or her behalf, on a temporary basis, provided however, the **Vice-Chairman** or the director so appointed to perform the **Chairman's** duties shall not be authorised to vote on the election of a new **Chairman** unless specifically authorised to do so by the **Chairman**.

- 13 -

9.5 The Vice-Chairman

The **Vice-Chairman** of the **Board** shall assist the **Chairman** to perform his or her duties. The **Vice-Chairman** shall report to the **Chairman** in all matters relating to the business of the **Company**.

9.6 Board Meetings

9.6.1 The **Board** shall meet a minimum of two (2) times a year and the **Board** meetings shall be called upon and presided over by the **Chairman** of the **Board**. Special **Board** meetings may be called upon by the **Chairman** of the **Board** upon the written request of two (2) directors.

9.6.2 **Board** meetings shall be held at the registration place of the **Company** or at any other locations agreed upon by all the directors.

9.6.3 **Board** meetings shall be held upon 45 days' advance notice to the directors, **PROVIDED THAT** such advance notice may be waived by written consent signed by all directors. The notice of a **Board** meeting shall specify the agenda and time and place for such meeting.

9.6.4 A director who is unable to attend a **Board** meeting in person may issue a proxy in writing, entrusting another person (who may, but need not be, one of the other directors) to attend the meeting on his or her behalf. A proxy shall not be valid and effective unless delivered to the **Chairman** of the **Board** of the meeting at which the person appointed intends to act as a proxy. The entrusting director may revoke a proxy by written proxy revocation to the **Chairman** of the **Board**. A proxy shall have the same rights and powers as the director or directors he or she represents by proxy.

9.6.5 Three (3) directors present in person or by proxy or by telephone pursuant to Article 9.6.6 shall constitute a quorum with one representing Party A. Without a quorum, no decision by the **Board** shall be valid. If within half an hour from the time appointed for the commencement of a **Board** meeting a quorum is not present, the meeting shall automatically be adjourned until the same day in the following week and at the same time and place and, notwithstanding other provisions in this Article 9.6.5 to the contrary. At the adjourned meeting three directors (3) directors present in person or by proxy shall constitute a quorum for the adjourned meeting. However, no business shall, under such circumstances, be conducted at the adjourned meeting except business that was specified in the agenda for the original meeting.

9.6.6 For the purposes of the CONTRACT, the contemporaneous linking together by telephone or other means of instantaneous communication ("**Telephone**") of five (5) of the directors is deemed to constitute a meeting of the directors. All the provisions of this CONTRACT as to meetings of the directors apply to such a meeting if at the commencement of the meeting each director acknowledges the respective director's presence for the purposes of the meeting to all the other directors and also acknowledges that the director is able to hear each of the other directors taking part.

- 14 -

9.6.7 A director may not leave a **Telephone** meeting by disconnecting the **telephone** without the consent of the **Chairman** of the **Board** and a director is deemed to be present and form part of the quorum throughout the meeting unless the Director has obtained consent from the **Chairman** of the **Board**.

9.6.8 Minutes of the proceedings at a telephone meeting are sufficient evidence of the proceedings and the observance of all the necessary formalities if the **Chairman** of the Board certifies it as correct minutes.

9.6.9 Except as otherwise provided for in the CONTRACT, any action by the **Board** may be taken without a meeting if a majority of the directors of the **Board** (of which there shall be at least one (1) director representing **Party A**) so consent in writing. Such written consent shall be filed with the minutes of the **Board** and the action taken shall have the same force and effect as an action taken by the **Board** at an actual **Board** meeting. The directors of the **Board** may sign such consents in writing on separate paper and delivered to the **Company** by facsimile **PROVIDED THAT** the original copy shall be mailed or hand delivered to the **Company** without undue delay.

9.6.10 Directors of the **Board** shall serve without remuneration but all reasonable costs, including travel expenses incurred thereby or by their proxies in relation to attending meetings of the **Board** shall be borne by the **Company**.

10. Business Management of the Company

10.1

The **Company** hereby appoints **Party B** to manage the operations of the **Company**. A general manager (the "**General Manager**") who is appointed by **Party B** and approved by the **Board** shall be responsible for implementing the decisions of the **Board**. The **General Manager** shall be appointed for such a term of office as approved by the **Board** unless he is replaced by **Party B**.

10.2

The **General Manager** shall undertake the following responsibilities:

- 10.2.1 execute and implement the decisions of the **Board** and manage the day to day operations of the **Company**;
- 10.2.2 propose to the **Board** plans of the **Company's** management system;
- 10.2.3 propose to the **Board** specific operation rules and policies of the **Company** and the internal levels of internal authorizations and approvals;
- 10.2.4 the **General Manager** is authorised to approve any contracts up to a value of US\$100,000 and for any contracts above this value requires **Board** approval;
- 10.2.5 recommend for the **Board** the annual accounts, budgets and plans and manage the implements of such budgets and plans approved and as directed by the **Board**;

- 15 -

-
- 10.2.6 based on the labor plan approved by the **Board**, employ such employees as required from time to time and dismiss them in accordance with the PRC laws and regulations; and
 - 10.2.7 carry out any other matters entrusted by the **Board**.

10.3

A deputy general manager (the "**Deputy General Manager**") shall be appointed by **Party A**. His or her appointment approved by the **Board**. The **Deputy General Manager** will assist and report to the **General Manager**. He or she will carry out duties as directed by the **General Manager**. The **Board** shall approve the term of the Deputy General Manager unless **Party A** replaces the **Deputy General Manager**.

10.4

A chief financial officer (the "**Chief Financial Officer**") of the Company shall be nominated by **Party B** and approved by the **Board**. The **Chief Financial Officer** is responsible for the accounts, financial status budgeting and financial control systems for the Company and reports to the **General Manager**. He or she shall be required to make periodical financial reports on the **Company's** financial status, budgetary matters and funding requirements of the Company to the **Board** and the **General Manager**. During the mining phase, after the **Board** has approved to proceed with mining of any deposits discovered by the **Company** as determined by the **Bankable FS**, a deputy chief financial officer (the "**Deputy Chief Financial Office**") of the **Company** shall be nominated by **Party A** and approved by the

Board, to assist and report to the **Chief Financial Officer**. The **Board** shall approve the term of **Chief Financial Officer** and the **Deputy Chief Financial Officer** of the **Company** unless they are replaced by the **Party** appointing them.

10.5

Several department managers may be appointed by the **General Manager**, only on an as and when needed basis and approved by the **Board**. Department managers shall serve under the supervision of the **General Manager** and be responsible for the operation of the department for which he or she is appointed to be in-charge.

10.6

In case of dereliction of duty, criminal offence, fraud or otherwise non-performance on the part of the **General Manager** or **Deputy General Manager** or the **Chief Financial Officer** or the **Deputy Chief Financial Officer**, the **Board** may remove him or her from office at any time for cause.

10.7 Party B

shall be entitled to be reimbursed for all direct and indirect costs incurred by it in its management of the operations of the **Company** as approved by the **Board**.

10.8

At the request of the **General Manager**, **Party A** shall provide necessary personnel on terms approved by the **Board** and provided that such terms are competitive and in accordance with industry standards, to assist the **Company** to function. **Party A** shall be entitled to recover from the **Company** all reasonable direct and indirect costs so incurred and approved by the **Board**.

- 16 -

11. Additional Funding of the Company

11.1 Additional Funding to Bankable FS

11.1.1 If the Board decides to require any amount of funding in addition to the US\$ 3.1 million and the additional investment of US\$3.9 million as provided in Article 6.5.2 contributed by **Party B** to the **Company** registered capital to enable the **Company** to complete the Bankable FS, such additional funding shall be contributed by **Party A** and **Party B** to the **Company** registered capital in accordance with their respective shareholdings in the **Company**, i.e. **Party A** 10% and **Party B** 90%. If **Party A** fails to contribute or elects not to contribute to its share of funding according to its equity shareholding in the **Company** within 30 days after the Board decision, then **Party B** will contribute all the required funding until the Bankable Feasibility Study has been completed (the Additional Funding), at which time the equity shareholding in the **Company** of **Party A** will be maintained at 10%, provided that 10% of the Additional Funding shall be contributed by **Party B** on behalf of **Party A** as a loan to **Party A** after having obtained proper approval and registration by the governmental authorities for such loan. The loan shall be repaid to **Party B** as provided in Article 11.2.4 and Article 11.2.5. However, if the **Company** is dissolved before distributing any profit to **Party A**, **Party A** shall not be responsible for paying back to **Party B** any of the loan so provided by **Party B**.

11.2 Additional Funding to Construction, Production and Development of Mine

11.2.1 If the **Board** has determined, based on the **Bankable FS**, that the **Dongchuan Project** is economically viable as a mining operation, the Company shall proceed with the construction and development of mines in the Project Area.

11.2.2 If, upon Party B proposal, the Board decides to increase the registered capital and require additional contribution from both Parties for the purpose to fund the said construction and mining activities, Party A shall make an election with respect to one of the following options that are relevant to it within 3 months of the date that the Board approves the Bankable FS:

(A) **Party A** can elect to fund 10% of the total required capital contribution under Article 11.2.2; then Party B shall fund 90%;

(B) if it has elected not to provide its share of contribution under Article 11.2.2, then Party **B** shall contribute 100% of the total required capital contribution, but 10% of which shall be contributed on behalf of Party A as a loan to Party A after having obtained proper approval and registration by the governmental authorities for such loan.

11.2.3 If **Party A** fails to make an election under Article 11.1 and 11.2.2 within the 3 month after relevant Board decisions, then **Party A** shall be deemed to have elected not to contribute in proportion to its share of equity interest in the Company.

- 17 -

11.2.4 **Party A** shall repay to **Party B** the principal and accrued interests of the loan provided in Article 11. 1.1 and Article 11.2.2 (B) with all of its share of profit distributed by the Company within the shortest period possible. The interest shall be calculated at an aggregate interest rate of LIBOR plus 4% per annum. Before the above principal and interests are fully repaid, Party A shall not draw any profit from the Company. However, if the Company is dissolved before distributing any profit to Party A, **Party A** shall not be responsible for paying back to **Party B** any of the loan so provided by **Party B**.

11.2.5 **Party A** shall take all such actions and execute all such documents, including security documents, as **Party B** may require to record and validate such loan arrangement as provided in Article 11.1.1, Article 11.2.2 (B) and Article 11.2.4. All loans funding must be within the PRC laws and approvals by the relevant government agency if required. In the event that the loan to Party A cannot obtain approval by competent governmental authorities, both Parties shall cooperate with each other to register such loan as provided by Party B to the Company subject to the same terms and conditions as provided in Article 11.2.4; then the Company shall be liable for repaying the principal and interests from its profit before profit distribution to either Party.

11.2.6 To secure any bank financing, the **Company** shall mortgage its assets, interests and rights in the **Dongchuan Project**, as so required for the financing and as approved by the PRC governmental authorities where it is necessary. The **Company** shall repay the principal plus interest and other obligations pursuant to the terms and conditions of the loan agreement and each **Party** agrees that cash generated from the **Dongchuan Project** may be retained, and be used, to repay the **Company's** funding requirements in accordance with the requirements of laws, the loan agreement and provisions of Article 11.

11.2.7 Each **Party** agrees to do all such things, and sign all such documents as may be required by the bank financiers to the **Dongchuan Project** including the provision of the mortgages described in Article 11.2.6 in relation to the construction and development of the **Dongchuan Project** within the framework of the law.

11.2.8 Each Party agrees to use their best endeavours to have the additional capital contribution and the change in each Party equity interest percentage provided under this Article 11 approved by the Board and the original approval authorities.

11.3 Future Expansion of Company

After the construction and development of the **Dongchuan Project** is completed, the **Company** subject to the approval by the **Board** shall fund any future expansion.

12. Cash Distributions

12.1

The Net Revenue Generated by Operating Activities shall be paid in the following order:

- 18 -

12.1.1 income tax and any other taxes under Chinese Law;

12.1.2 sufficient working capital, comprising operating expenses, capital expenditure and statutory funds;

12.1.3 principal and other sums required to be paid under the loan agreement for any financing approved by the Board;

12.1.4 profit distribution to both **Parties** according to their percentage of equity shareholdings in the Company at the time of distribution.

12.1.5 If **Party B** provides a loan to **Party A** in accordance with Article 11.1 and Article 11.2.2 (B), the share of profit distributed to **Party A** shall be paid directly to **Party B** until all outstanding principal and interests owed by **Party A** to **Party B** have been fully discharged. For the purpose of this Article 12.1.5, **Party A** shall use its best endeavours to assist the Company and **Party B** in remitting abroad **Party B** share of profit. If the direct payment from the Company to Party B as provided in Article 12.1.5 cannot obtain necessary approvals and permits, Party A shall pay its share of profit to Party B immediately after the profit is distributed into Party A account by the Company.

12.1.6 Subject to the approval from competent tax authority, **Party B** shall be entitled to recover in advance, in full, its total equity contribution (including the 10% equity contribution it may have made on behalf of **Party A**, together with accrued interest thereon) in accordance with the most favourable tax treatment. Thereafter, the total fixed and intangible assets of the **Company**, upon expiration of the cooperation, shall be transferred to **Party A** free of payment.

13. Purchasing

13.1

Where price, purchase terms, conditions, specifications and quality are the same, the **Company** shall give preference to suppliers in PRC when purchasing equipment, materials, raw materials, office supplies, means of transportation, etc.

13.2

When the **Company** entrusts **Party B** to purchase overseas major mine and transportation equipment for the mine development phase, representatives from **Party A** may be involved.

14. Labor Management

14.1

A trade union shall, if required by law, be set up in the **Company** in accordance with relevant PRC laws and regulations.

- 19 -

14.2

Matters in connection with the employment, dismissal, salary, insurance, welfare benefits, rewards and punishments of the employees of the **Company** shall be promulgated by the **Board** in accordance with the PRC laws and regulations relevant to labour management of foreign investment enterprises, and shall be regulated by the labor contract concluded between the **Company** and the trade union or between the **Company** and the individual. Once the labor CONTRACT is concluded, it shall be filed with the local labor management authority.

14.3

Matters recommended by **Party A** and **Party B** in connection with the recruitment, salary structure, insurance, welfare benefits, and travelling expenses of the senior staff shall be decided by the **Board**.

15. Tax, Accounting and Auditing

15.1

The **Company** shall pay taxes and fees in accordance with relevant PRC laws and regulations.

15.2

The employees of the **Company** shall pay individual income tax in accordance with the Individual Income Tax Law of the PRC.

15.3

The **Company** shall set up reserve funds, expansion funds and welfare funds in accordance with the applicable PRC laws and regulations. The annual allocations to such funds shall be decided by the **Board** in consideration of the financial conditions of the **Company** and in accordance with applicable laws.

15.4

The fiscal year of the **Company** shall be from Jan. 1 to Dec. 31 of each year. All accounting records, vouchers receipts, account statements and reports, account books etc. shall be written in Chinese, while financial statements shall be written in English as well. Renminbi shall be the base currency for bookkeeping of the **Company**.

15.5

The **Company** shall engage an accounting firm registered in PRC to audit and verify the **Company's** financial affairs, and a report of which shall be submitted to the Board and both Parties.

15.6

If **Party B** considers it necessary to engage a foreign accounting firm registered in PRC to audit the **Company's** accounts, all expenses incurred shall be for **Party B's** account.

15.7

With reasonable advanced written notice to the **Chief Financial Officer** of the **Company**, **Party A** has full-auditing right to audit the **Company's** accounts, provided that such auditing activities shall be carried out in such a way that will not interfere with the normal operation of the **Company**. If gross discrepancies are found by such audit, **Party B** shall reimburse **Party A** for the cost incurred for such audit; otherwise, **Party A** shall be responsible for such cost.

16. Foreign Exchange

- 20 -

16.1

The **Company** shall open its foreign exchange account or accounts in a PRC bank or other financial institution or the branches thereof, or the branches of a foreign bank or other foreign financial institutions, registered in PRC authorized by the State Administration of Foreign Exchange (hereinafter referred to as "**SAFE**") to conduct foreign exchange business in PRC, or, subject to the consent of **SAFE** or to PRC laws, a PRC or foreign bank or other financial institution or the branches thereof outside of PRC.

16.2

The Parties shall use their best efforts to balance the **Company's** foreign exchange account through any means as may be permitted under applicable laws. If the **Company** is short of foreign currency, **Party A** agrees to assist the **Company** to obtain necessary approvals in accordance with applicable laws of the PRC. In addition, the **Company** shall convert Renminbi into United States dollars at the Foreign Exchange Trading Center of China, or any other financial institutions that are authorised to provide such conversion service in PRC to make such payment.

16.3

Both **Parties** agree to use the **Company's** foreign currency in the following order of priority unless otherwise required by law or determined by the **Board**:

16.3.1 foreign currency required to pay imported raw material, equipment, machines and spares;

16.3.2 payment of fees to third parties for technology transfer, insurance, transportation and other related fees, and import service fees;

16.3.3 salary, allowance and other normal payment of expatriate employees;

16.3.4 repay the loan principal, interest and other fees and costs stipulated in any loan agreement;

- 16.3.5 the distributable profit and other payments to **Party B**;
- 16.3.6 upon liquidation of the **Company**, **Party B's** entitlement on liquidation; and
- 16.3.7 other reasonable payments that must be paid by foreign exchange or approved by the **Board**.

17. Term of CONTRACT

17.1

This CONTRACT shall come into effect upon receipt of the required approval by the appropriate approval authorities (the "Approval Authorities").

17.2

The term of this CONTRACT shall be thirty (30) years commencing from the date of the approval thereof by the Approval Authorities.

17.3

At least twelve (12) months prior to the date of expiration of this CONTRACT, an application for the extension of duration shall be automatically submitted to the original Approval Authorities for a further term of thirty (30) years.

- 21 -

18. Amendment, Modification and Early Termination

18.1

Any amendment of modification to the CONTRACT shall only be valid after **Party A** and **Party B** have signed a written agreement approved by the original Approval Authority.

18.2 Grounds for Termination

18.2.1 The **Parties** may mutually agree in writing to terminate this CONTRACT at any time subject to the ratification of the Approval Authorities. No **Party** shall have the right to unilaterally terminate this CONTRACT except upon the occurrence of any one or more of the following events, in which case a **Party** may serve a written notice to the other Party of its desire to terminate this CONTRACT at any time:

- (A) the other **Party** has committed any material breach of this CONTRACT to seriously affect the **Company's** business operation adversely, and such breach has not been substantially cured within one month upon written notice to the breaching Party by the non-breaching **Party**;
- (B) the other **Party** becomes bankrupt, or is the subject of proceedings for liquidation or dissolution, or ceases permanently to carry on its business;
- (C) the conditions or consequences of any force majeure (defined in Article 22.1) significantly interfere with the normal functioning of the **Company** for a period in excess of 3 months;

(D) the continued exploration, development or operation of the **Project Area** is, at any time during the term of this Contract, determined by Party B or the **Board** not to be viable in light of the exploration results or the Bankable Feasibility Study; or

(E) the **Company** is unable to achieve its business goal or has no opportunity to commerce or develop its business operation.

18.3 Termination Procedure

18.3.1 If a **Party** gives notice pursuant to Article 18.2 of its desire to terminate this CONTRACT, the **Parties** shall, within 1 month after such notice is given, commence negotiations and endeavour to resolve the circumstances giving rise to such notification of termination. In the event no agreement is made by the **Parties** within 1 month after commencement of negotiations, the notifying **Party** may, unless the matter in dispute has been referred to arbitration in accordance with Article 24, legally terminate this CONTRACT by giving the other **Party** written notice of termination and such termination shall take effect upon the approval of the original Approval Authorities.

- 22 -

18.3.2 Notwithstanding any provision herein, **Party B** has the right at its sole discretion to determine that the **Dongchuan Project** is not economically viable in accordance with Article 18.2.1 (D); such decision is final and binding upon both Parties and neither Party has the right to challenge, revoke or restrict it. From the issuance date of the notice by Party B pursuant to Article 18.2.1 (D), Party B is not obligated to make any contribution to the Company registered capital.

18.3.3 If all preconditions and procedures for terminating this Contract as provided in Article 18.2 and Article 18.3 have been satisfied, both Parties shall require the directors they appointed to the Board to vote in favour of the termination of this Contract and the dissolution of the Company.

8.4 Disposal of Assets Upon Early Termination

18.4.1 Upon early termination of this CONTRACT, subject to Article 18.3.1, the **Company** shall be liquidated in accordance with PRC laws. Upon satisfying all of the **Company's** outstanding debts and obligations, including any applicable taxes, any remaining assets after liquidation of the Company shall be distributed to **Party A** and **Party B** in accordance with the then profit share ratio of each **Party** in the **Company**. **Party B** shall have a priority claim to receive foreign exchange and foreign account receivable of the **Company**.

18.4.2 If **Party B** delivered the notice of its desire to terminate the CONTRACT to **Party A** in accordance with Article 18.2.1.(D), **Party B** shall transfer all of its interests to **Party A** at the price of 10 RMB, and thereafter, **Party B** shall not hold any interests in, share any risks or liabilities of, and bear any responsibility of the **Company**, unless in the course of the exploration gold resource in excess of 10 tonnes as confirmed by relevant governmental authority has been discovered by the Company, then **Party B** is entitled to a residual equity interest and the assets of the Company shall be distributed to Party B in proportion to its residual equity interest. Party B residual interest shall be calculated in accordance with the following formula:

(A) Before Party B starts to make additional capital contribution in accordance with Article 6.5.2, the following formula is applicable:

Residual Equity Interest = (Total US\$ amount already contributed by Party B to the Company registered capital/ US\$3.1 million) X 70%

(B) Upon and after Party B starts to make additional capital contribution in accordance with Article 6.5.2, the following formula is applicable:

Residual Equity Interest = 70% + (Additional US\$ amount already contributed by Party B to the Company registered capital in accordance with Article 6.5.2 + the US\$ amount paid by Party B to Party A in accordance with Article 6.5.2)/US\$ 6 million X 20%

- 23 -

18.4.3 Subject to Article 21, when both **Parties** decide to terminate the CONTRACT through mutual agreement, **Party A** shall not be required to pay anything to **Party B**.

18.5 Disposal of the Assets upon Expiration of the CONTRACT

18.5.1 If all of the **Company's** outstanding debts and obligations are satisfied, including any applicable taxes, any remaining assets after liquidation of the **Company** shall, subject to Article 18.5.2, be distributed to **Party A** and **Party B** in accordance with the then profit share ratio of each **Party** in the **Company**.

18.5.2 If the PRC tax authority has approved special tax concessions in respect of recovering **Party B's** cash contribution and **Party B** has recovered in full all of the cash contributed by it, plus the interest as defined in the Article 12.1.5., the current assets of the **Company** shall be distributed to **Party A** and **Party B** in accordance with the then profit share ratio of each **Party** in the **Company**. **Party B** shall have a priority claim to receive foreign exchange and foreign exchange account receivable of the **Company**. All the fixed assets of the Company shall be transferred to Party A free of payment.

19. Insurance

19.1

The **Company** shall maintain necessary insurance with an insurance company organized in PRC or with any foreign insurance company permitted to engage in insurance business in PRC. The **Board** shall decide the types, coverage, amounts, values and duration of such insurance.

20. Confidentiality

20.1

Without the prior written consent of the other **Party**, no **Party** shall furnish, disclose or make accessible to any third party any confidential or proprietary business or technical information and data or trade secret received by the **Company** from any of the Parties hereto, from the date of receipt of such information and data till the end of the 2nd year after the date of expiration or early termination of this CONTRACT.

20.2

Article 20.1 shall not apply:

20.2.1 to the **Party's** Directors, the General Manager(s), and any other employees and its bankers, accountants, auditors, attorneys, suppliers, consultants and potential partners of the Company who need to have access to such information or data to make their decisions and to perform their responsibilities, **PROVIDED THAT** the disclosing

Party shall take appropriate measures to assure that such entities and persons shall keep the disclosed information and data private and confidential;

20.2.2 to information that a **Party** is required to disclose under applicable law to any government or governmental agency or to its shareholders or to the public or to any applicable stock exchange; and

- 24 -

20.2.3 to a **Party's** affiliated enterprises, **PROVIDED THAT** such affiliated enterprises to which such disclosure is made agrees in writing to maintain confidentiality in accordance with the terms of Article 19.1.

21. Liability for Breach of CONTRACT

22.1

Should all or part of this CONTRACT not be fulfilled due to one **Party's** fault, the defaulting **Party** shall bear responsibility for breach of CONTRACT. Should it be the fault of both **Parties**, they shall bear their respective responsibility for breach of CONTRACT according to the actual situation.

22. Force Majeure

22.1

Should either of the **Parties** be prevented from performing this CONTRACT or any of its obligations by a force majeure event, including but not limited to earthquake, typhoon, flood, fire, and other forces of nature (hereinafter collectively referred to as "**Natural Disasters**") and other accidents and events whose happening and consequences are unpreventable, unavoidable and beyond the control of the prevented **Party**, the prevented **Party** shall forthwith notify the other **Party** by facsimile of such force majeure and with fifteen days thereafter provide detailed information and valid evidence of the accidents and events explaining the reason of its inability to perform all or part of its obligations under this CONTRACT or delay in the performance of its obligations under this CONTRACT.

22.2

Neither **Party** shall be relieved from its obligations to provide its cooperative conditions due to a force majeure event other than as a result of a Natural Disaster.

22.3

Subject to Article 22.2, based upon the impact of the events on the performance of its obligations under this CONTRACT, both **Parties** shall, through immediate consultation, decide whether to terminate the CONTRACT or to modify the obligations of the **Parties**.

22.4

Subject to Article 22.2, neither **Party** shall be held liable to the other **Party** for the damages or losses thereto caused by force majeure.

23. Applicable Law

23.1

The formation, validity, interpretation, execution, amendment, termination of the CONTRACT and settlement of any disputes arising thereunder shall be governed by PRC law. In case there is no PRC law governing a particular matter relating to this CONTRACT, reference shall be made to general international commercial practice.

24. Dispute Resolution

24.1

The **Parties** shall try to settle any dispute arising from or in connection with the CONTRACT through friendly consultation. In case no settlement can be reached through such consultation within 60 days after the commencement of discussions or such longer period as the **Parties** may agree to in writing, then such dispute shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing, and the arbitration shall be conducted according to its arbitration rules, except that **Party A** hereby expressly agrees that it shall select a non-Chinese arbitrator from the panel.

- 25 -

24.2

The Arbitration Tribunal shall have three arbitrators. **Party A** and **Party B** shall each appoint one arbitrator and the third arbitrator shall be appointed by the chairman of the International Economic and Trade Arbitration Commission and shall serve as chairman of the Arbitration Tribunal.

24.3

The arbitration award shall be final and binding on the **Parties**, and the **Parties** agree to be bound thereby and act accordingly.

24.4

The costs of arbitration including all reasonable legal fees shall be borne by the losing **Party** or shared by the **Parties** as specified in the arbitration award, unless otherwise agreed by the **Parties**.

24.5

When any dispute arises and is submitted to arbitration, the **Parties** shall be entitled to continue to exercise their respective rights and obliged to fulfil their respective obligations which are unaffected under this CONTRACT.

24.6

Any arbitration award may be enforced in any court having jurisdiction and may be submitted to any such court for judicial acceptance.

25. Languages

25.1

This CONTRACT and all appendices hereto shall be written in Chinese and English in duplicates. Each **Party** shall hold three (3) original copies of each version. Both versions are equally authentic.

26. Effectiveness of the CONTRACT and Miscellaneous

26.1

This CONTRACT and all appendices hereto shall come into force on the date it is approved by the Ministry of Commerce (or its designated Approval Authority) and shall replace all contracts and agreements executed by both Parties before the date hereof in respect of the Company and the transaction contemplated hereunder.

26.2

Any notice or written communication required by or provided for in this CONTRACT by one **Party** to the other shall be made in English and Chinese and given to the other Party by personal delivery, registered airmail or facsimile at the location or fax number set forth in Article 2.1 unless the same is changed by notice given in writing to the other **Party**. The date of receipt of a notice or communication hereunder shall be deemed to be 15 days after its postmark in the case of an airmail letter and 2 working days from the date of personal delivery or dispatch by confirmed facsimile transmission. In the case of facsimile transmission, the original shall be delivered by airmail or personal delivery.

- 26 -

26.3

Failure of a **Party** to exercise its rights or take any action in connection with a breach of this CONTRACT by the other **Party** shall not be deemed to be a waiver of the breach of the breaching **Party's** liabilities or obligations. Any waiver at any time, by any **Party** hereto, of any of its rights with respect to the other **Party**, or with respect to any breach, liabilities or obligations of the other **Party** arising in connection with this CONTRACT shall not be considered a waiver of any other rights or with respect to any subsequent breach or liabilities or obligations of the other **Party**.

26.4

This CONTRACT and any of its attachment thereto constitute the entire agreement between **Party A** and **Party B** with respect to the subject matter of this CONTRACT and supersede all prior discussions, negotiations and agreements between them.

26.5

Any matters not covered or fully provided in this CONTRACT shall be resolved and agreed to by the Parties through friendly negotiations.

IN WITNESS THEREOF,

this CONTRACT is executed in Kunming, Yunnan Province, PRC by duly authorised representatives of Party A and Party B on this date 14 May 2004.

Name: Lang Zhijun

Name: Lee Mun-Kit

Position: Chairman

Position: Chairman

Signature: /s/ Lang Zhijun

Signature: /s/ Lee Mun-Kit

- 27 -

Appendix 1

DEFINITIONS

"Approval Authority" shall mean the Ministry of Commerce of PRC, its designated local offices or their successors.

"Articles of Association" shall mean the Articles of Association of the Company.

"Bankable Feasibility Study" shall mean a detail evaluation of any mineralisation within the Project area that allows the Company to finance the construction of the mine to exploitation of such mineralisation that includes but not limited to detail exploration, ore reserves estimates, engineering studies and costing, environmental studies and financial projections and must meet all governmental requirements.

"Board" or **"Board of Directors"** shall mean the Board of Directors of the Company established with Article 9 in this Contract.

"Business License" shall mean the business license of the Company issued by the State Administration for Industry and Commerce or its local competent branches.

"Company" shall mean Xinan Mineral Resources Co., Ltd., following its establishment as a company formed by the Parties pursuant to this Contract.

"Contract" shall mean the Joint Venture Contract dated 14 May 2004 and executed by and between Yunnan Nonferrous Geology and Mining Ltd. of Yunnan Province and Luna Gold (China) Corp. or its associated company at Kunming City, Yunnan Province, PRC.

"Exploration Right or Rights" shall mean the exclusive license or licenses to carry out exploration in the Project Area, according to the laws of the PRC.

Exploration Right Application shall mean the exploration right application made by Party A but has not been granted by the relevant authority.

"Joint Venture Area" shall mean the area designated as the **"Project Area"** that the **Parties** in this contract have agreed to cooperate according to this CONTRACT.

"LIBOR" shall mean the average of the rates, per annum, expressed as a percentage which are displayed on Reuters Page "LIBOR" at or about 11.00am (London Time) on the relevant date for United States Dollar deposits for delivery during the relevant applicable period or, if no such period, 90 days.

"Net Revenue" shall mean the total revenue generated by the Company after deducting all total operating costs, all governmental taxes, all marketing costs, all interest charges and any other costs incurred in generating such revenue.

"PRC" shall mean the People's Republic of China.

- 28 -

"Pre-bankable Feasibility Study" shall mean preliminary prospecting and exploration and any other work required to allow the Company to decide to proceed with the Bankable Feasibility Study.

"Project Area" shall mean the area designated in the Plan attached in Appendix 2 of this Contract.

"RMB" shall mean Renminbi being the lawful currency of the PRC.

"US\$" or "United States Dollars" shall mean the lawful currency of the United States of America.



Suite 1600, 777 Dunsmuir Street
P.O. Box 10425, Pacific Centre
Vancouver, BC V7Y 1K4
telephone: 604.689.7371 facsimile: 604.688.0094

February 27, 2004

Mr. Arthur R. Leger
2338 Sunrise Drive
Reno, Nevada 89509
(775) 827-6312
ArthurLeger57@hotmail.com

RE: Letter Agreement between Luna Gold Corp. and Arthur R. Leger

for the Lease of the LS and NBM Properties, Lander Co., Nevada

Dear Art,

Further to our Letter dated January 27, 2004, granting Luna Gold Corp. ("Luna") a 30 day exclusive option on your LS Gold ("LS") and North Battle Mountain ("NBM") properties, more specifically described in Attachment 1 hereto (the "Properties"), Luna hereby notifies you that it is exercising its right under the exclusive option to enter into a binding Letter Agreement, ("LA") to lease the Properties. This binding LA sets out the terms and conditions which would form the basis of separate lease agreements for the LS and NBM properties, made between Luna (the "Optionee") and Mr. Arthur R. Leger (the "Optionor"). These lease agreements (the "Leases") will be prepared incorporating the terms of this LA, as well as such other terms as we may agree to, including standard terms which normally form part of more in depth exploration and mining agreements.

1. The Optionor will grant the Optionee the right to acquire a 100% undivided interest in the Properties (the "Option"), subject to a retained 3% net smelter production royalty (the "Royalty") reserved to the Optionor.

2. The Option is exercisable over a fifteen (15) year period and, in order to maintain the Option in good standing, the Optionee will make to the Optionor the following cash payments and carry out the following work commitments:

- (a) For the **LS Gold Property**, the following schedule of cash payments and work commitments would apply:

Due Date	Cash Payment	Work Commitment
On execution of LA	\$5,000 (PAID)	-
By Yr. 1 Anniv.	\$15,000	\$10,000
By Yr. 2 Anniv.	\$25,000	\$50,000
By Yr. 3 Anniv.	\$50,000	\$100,000
By Yr. 4 Anniv.	\$155,000	\$100,000
By Yr. 5 Anniv.	\$250,000	\$250,000
By Yr. 6 Anniv.	\$250,000	\$250,000
By Yr. 7 Anniv.	\$250,000	\$240,000
Each of Yrs. 8 to 15	\$50,000	\$50,000
TOTAL	\$1,400,000	\$1,400,000

- (b) For the **North Battle Mountain Property**, the following schedule of cash payments and work commitments would apply:

Due Date	Cash Payment	Work Commitment
On execution of LOI	\$5,000	-
By Yr. 1 Anniv.	\$15,000	\$10,000
By Yr. 2 Anniv.	\$20,000	\$25,000
By Yr. 3 Anniv.	\$50,000	\$50,000
By Yr. 4 Anniv.	\$160,000	\$100,000
By Yr. 5 Anniv.	\$250,000	\$250,000
By Yr. 6 Anniv.	\$250,000	\$250,000
By Yr. 7 Anniv.	\$250,000	\$315,000
Each of Yrs. 8 to 15	\$50,000	\$50,000
TOTAL	\$1,400,000	\$1,400,000

- (c) All cash payments are considered as Advance Royalty Payments ("AMR") and would be credited against the Royalty on each property separately.

- (d) For the LS Gold Property only, a separate NSR production royalty of 1% would apply to new claims located on open ground by either party within the Area of Mutual Interest, as depicted on Attachment 2 hereto, with such new claims to be included in the LS Gold Property Lease.

The initial work commitment, to be completed by the year one anniversary date, is an obligation to Luna; however subsequent cash payments and work commitments are at the option of Luna and must only be met in a timely manner so as to maintain the Letter Agreement or Lease in good standing. Any excess expenditures during a given year can be applied to the following or subsequent year's obligations.

3. Luna would record the current claims - 80 for the LS Property and 34 for the North Battle Mountain Property - and make the appropriate payments to the BLM and Lander County within the first 30 days following execution of this LA.

4. Luna would file annual assessment fees with both the BLM and Lander County as long as the Option on the Property(s) was in effect, subject to Clause 8 below.

5. Luna would report all factual data gathered from the Properties to Mr. Leger on each anniversary date above. Luna also agrees to utilize Mr. Leger's geologic knowledge of the properties on a consulting basis as Luna feels appropriate; such consulting work by Mr. Leger to be at the rate of \$200/day US, plus all normal field expenses.

6. Luna would abide by all state and federal permitting requirements and complete any required reclamation obligations as appropriate.

7. Luna would have the right to assign the Letter Agreement or the Lease, as the case may be, to a third party, as well as have the right to enter into any Joint Venture arrangement with a third party.

8. Luna could terminate this Letter Agreement or the Lease at any time, subject to meeting all prior commitments. If termination occurred within 60 days of the due date for payment of any annual assessment obligation, Luna would make such payment.

9. Both Parties agree to execute all documents and do all acts as may be necessary within their respective powers to carry out and give full force to the true intent and purpose of this LA.

10. This Letter may be executed in one or more counterparts and by fax, each of which will be deemed to be an original, and all of which taken together will constitute one and the same instrument.

11. Both Parties confirm that the purpose of this Letter is to create a legally binding obligation between each other.

12. The Optionor represents and warrants to the Optionee that, to the Optionor's knowledge, the claims comprising the Properties are in good standing (although in need of filing) and are free and clear of all liens, charges and encumbrances and that the Optionor has full power and authority to grant the Option.

13. This Letter Agreement will be governed and construed in accordance with the laws of Nevada.

-
14. Any notice, direction or other instrument given under this Letter Agreement will be in writing and given by delivery of same or by mailing the same by prepaid registered or certified mail or by sending the same by fax or other similar form of communication and in each case addressed to the intended recipient at the following address:

Optionee:

Luna Gold Corp.

33174 Bergen Mountain

Evergreen, Colorado 80439

Fax: 303 679-0938

E-mail: cwhering@attglobal.net

Attention: Carl Hering, Director

Optionor:

Mr. Arthur R. Leger

2338 Sunrise Drive

Reno, Nevada 89509

(775) 827-6312

ArthurLeger57@hotmail.com

15. All dollar amounts referred to herein are U.S. dollars.

If the above terms and conditions are acceptable to you please indicate your agreement by executing this Letter Agreement in the space provided below and returning one duly executed copy to us for our records.

Luna gold Corp.

/s/ Carl Hering, Director

AGREED and ACCEPTED this 4th day of March, 2004

BY:



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Luna Gold Corp.

We consent to the incorporation by reference in the registration statement (No. 333-108897) on Form S-8 of Luna Gold Corp. of our report dated March 22, 2005, with respect to the consolidated balance sheets of Luna Gold Corp. as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years ended December 31, 2004 and 2003 and for the period from January 20, 2003 (inception of new business) to December 31, 2004, which report appears in the December 31, 2004, annual report on Form 10-KSB of Luna Gold Corp.

/s/ "KPMG LLP"

Chartered Accountants

Vancouver, Canada
March 22, 2005

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

Principal Executive Officer

I, **Tim Searcy**, certify that:

1. I have reviewed this annual report on Form 10-KSB of **LUNA GOLD CORP.**;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 14th day of April, 2005.

/s/ Tim Searcy

Tim Searcy

Principal Executive Officer

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

Principal Financial Officer

I, **Marcel de Groot**, certify that:

1. I have reviewed this annual report on Form 10-KSB of **LUNA GOLD CORP.**;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 14th day of April, 2005.

/s/ Marcel de Groot

Marcel de Groot

Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of **LUNA GOLD CORP.** (the "Company") on Form 10-KSB for the year ended December 31, 2004 as filed with the Securities and Exchange Commission on the date here of (the "report"), I, Tim Searcy, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated this 14th day of April, 2005.

/s/ Tim Searcy

Tim Searcy

Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of **LUNA GOLD CORP.** (the "Company") on Form 10-KSB for the year ended December 31, 2004 as filed with the Securities and Exchange Commission on the date here of (the "report"), I, Marcel de Groot, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated this 14th day of April, 2005.

/s/ Marcel de Groot

Marcel de Groot

Chief Financial Officer