

**PACIFIC NORTH WEST
CAPITAL CORP.**

(An Exploration Stage Company)

FINANCIAL STATEMENTS

31 January 2005 and 2004

Prepared by Management

These financial statements have NOT been reviewed by the Company's auditor

Pacific North West Capital Corp.
(An Exploration Stage Company)

Statement 1

Balance Sheets

Canadian Funds

ASSETS	January, 31 2005	April 30, 2004
Current		
Cash and cash equivalents	\$ 4,829,117	\$ 5,523,315
Accounts receivable	21,951	32,189
Investments (Note 3)	167,688	124,556
Due from River Valley Joint Venture	-	12,885
	5,018,756	5,692,945
Restricted Cash - Flow-Through (Note 7b)	86,918	903,800
Mineral Property Costs - Schedule (Note 4)	1,304,877	534,529
Property, Plant and Equipment (Note 5)	98,265	71,045
	\$ 6,508,816	\$ 7,202,319

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 31,451	\$ 108,105
Cash call payable (Note 4e)	6,396	18,758
	37,847	126,863

Commitments (Note 9)

Contingent Liability (Note 10)

SHAREHOLDERS' EQUITY

Share Capital - Statement 2 (Note 7)		
Authorized:		
Unlimited number of common voting shares		
Unlimited number of preferred voting shares		
Issued and fully paid:		
31,817,404 (April 30, 2004 - 31,551,004) common shares	14,087,612	13,603,297
Deficit - Statement 2	(7,616,643)	(6,527,841)
	6,470,969	7,075,456
	\$ 6,508,816	\$ 7,202,319

ON BEHALF OF THE BOARD:

"Harry Barr", Director

"Bernard Barlin", Director

- See Accompanying Notes -

Statements of Changes in Shareholders' Equity

Canadian Funds

	Common Shares		Accumulated	Total
	Number	Amount	Deficit	
Balance - 30 April 2001	19,357,480	\$ 5,513,980	\$ (2,506,040)	\$ 3,007,940
Issuance of shares for:				
- Private placements	355,302	203,750	-	203,750
- Properties	316,000	208,060	-	208,060
- Exercise of options	120,000	68,600	-	68,600
- Exercise of warrants	170,661	116,463	-	116,463
- Finder's fees	15,091	-	-	-
Loss for the year	-	-	(1,422,135)	(1,422,135)
Balance - 30 April 2002	20,334,534	6,110,853	(3,928,175)	2,182,678
Issuance of shares for:				
- Private placements	416,667	250,000	-	250,000
- Properties	337,000	202,380	-	202,380
- Exercise of options	61,000	35,170	-	35,170
- Exercise of warrants	16,500	11,050	-	11,050
Share issuance costs	-	(21,859)	-	(21,859)
Stock-based compensation costs	-	151,725	-	151,725
Loss for the year	-	-	(1,323,658)	(1,323,658)
Balance - 30 April 2003	21,165,701	6,739,319	(5,251,833)	1,487,486
Issuance of shares for:				
- Private placements	9,344,444	6,400,000	-	6,400,000
- Properties	38,000	22,460	-	22,460
- Exercise of options	418,334	256,334	-	256,334
- Exercise of warrants	445,800	290,537	-	290,537
- Performance shares	50,000	39,500	-	39,500
- Finder's fees	88,725	-	-	-
Share issuance costs	-	(367,853)	-	(367,853)
Stock-based compensation costs (Note 7(e) (ii))	-	223,000	-	223,000
Loss for the year	-	-	(1,276,008)	(1,276,008)
Balance - 30 April 2004	31,551,004	\$ 13,603,297	\$ (6,527,841)	\$ 7,075,456
Issuance of shares for:				
- Private placements	-	-	-	-
- Properties	110,000	67,800	-	67,800
- Exercise of options	18,000	8,720	-	8,720
- Exercise of warrants	38,400	19,200	-	19,200
- Performance shares	100,000	60,000	-	60,000
- Finder's fees	-	-	-	-
Share issuance costs	-	(205)	-	(205)
Stock-based compensation costs (Note 7(e) (ii))	-	328,800	-	328,800
Loss for the year	-	-	(1,088,802)	1,088,802
Balance - 31 January 2005	31,817,404	\$ 14,087,612	\$ (7,616,643)	\$ 6,470,969

Statements of Loss

Canadian Funds

	3 Months Ended January 31, 2005	3 Months Ended January 31, 2004	9 Months Ended January 31, 2005	9 Months Ended January 31, 2004
General and Administration Expenses				
Investor and shareholder relations	\$ 58,821	\$ 59,297	\$ 171,125	\$ 247,860
Consulting fees	63,701	73,343	227,502	249,118
Travel, lodging and food	22,536	54,613	80,767	113,907
Stock-based compensation (Note 7(e) (ii))	206,000	-	328,800	125,345
Management fees	21,000	17,280	59,280	58,433
Accounting and audit	10,432	10,480	47,390	41,930
Salaries and benefits	24,122	18,725	77,180	48,648
Rent	14,937	14,937	44,810	44,810
Transfer agent and regulatory fees	4,529	17,934	47,383	34,916
Office	22,610	28,504	56,376	51,129
Telephone and utilities	6,958	4,911	18,828	19,456
Interest and bank charges	579	518	1,845	1,854
Legal	10,770	-	19,936	6,792
Insurance, licenses and fees	28	885	2,770	2,857
Loss Before the Undernoted	467,023	301,427	1,183,992	1,047,055
Mineral property costs written off	161,889	-	161,889	6,032
Investments written down	-	-	-	-
Interest on flow-through funds	-	-	-	-
Gain on River Valley acquisition recovery	-	-	-	-
Quebec exploration tax credit	-	-	-	-
Gain on sale of investments	(36,698)	(27,085)	(36,698)	(27,085)
Interest and other income	(32,509)	(8,427)	(66,613)	(16,041)
Project management fees	(27,437)	(60,580)	(153,768)	(237,906)
	65,245	(96,092)	(95,190)	(281,032)
Loss for the Period	\$ 532,268	\$ 205,335	\$ 1,088,802	\$ 772,055

Statements of Cash Flows

Canadian Funds

	3 Months Ended January 31, 2005	3 Months Ended January 31, 2004	9 Months Ended January 31, 2005	9 Months Ended January 31, 2004
Cash Resources Provided By (Used In)				
Operating Activities				
Loss for the period	\$ (532,268)	\$ (205,335)	\$ (1,088,802)	\$ (772,055)
Items not affecting cash				
Mineral property costs written off	161,889	-	161,889	6,032
Stock-based compensation costs	176,500	-	269,800	125,345
Investments written down	-	-	-	-
Amortization	-	-	-	-
Gain on River Valley acquisition recovery	-	-	-	-
Gain on sale of investment	(36,698)	(27,085)	(36,698)	(27,085)
Consulting fees – performance shares issued	29,500	-	59,000	-
Changes in non-cash working capital	88,283	27,783	42,167	36,491
	<u>(112,794)</u>	<u>(204,637)</u>	<u>(592,644)</u>	<u>(631,272)</u>
Investing Activities				
Lonmin PLC Advances	-	-	1,550,831	-
Kaymin Resources Limited advance	10,520	41,047	261,312	217,416
Sale of investment	-	-	-	-
Option payment received - Kaymin Resources Limited	-	-	-	-
Purchase of property, plant and equipment	(8,353)	(8,458)	(27,220)	(8,458)
Purchase of investments, net	(9,014)	(27,085)	(43,132)	(27,085)
Cash call payable	(11,571)	(48,591)	(12,362)	(79,944)
Mineral property costs	(671,903)	(117,802)	(2,676,580)	(390,212)
	<u>(690,321)</u>	<u>(160,889)</u>	<u>(947,151)</u>	<u>(288,283)</u>
Financing Activities				
Due to related parties	-	-	-	-
Share capital issued, <i>net of issuance costs</i>	500	2,719,472	28,715	4,619,397
	<u>500</u>	<u>2,719,472</u>	<u>28,715</u>	<u>4,619,397</u>
Net Increase (Decrease) in Cash	(802,615)	2,353,946	(1,511,080)	3,699,842
Cash position - Beginning of period	5,718,650	2,519,501	6,427,115	1,173,605
Cash Position - End of Period	\$ 4,916,035	\$ 4,873,447	\$ 4,916,035	\$ 4,873,447
Cash Position Consists of:				
Cash and cash equivalents	\$ 4,829,117	\$ 4,207,557	\$ 4,829,117	\$ 4,207,557
Restricted cash	86,918	665,890	86,918	665,890
	<u>\$ 4,916,035</u>	<u>\$ 4,873,447</u>	<u>\$ 4,916,035</u>	<u>\$ 4,873,447</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities				
Shares issued for mineral properties	\$ -	\$ 17,100	\$ 67,800	\$ 21,120
Stock-based compensation expense included in share capital	\$ 176,500	\$ -	\$ 269,800	\$ 125,345
Performance shares issued for consulting fees	\$ 29,500	\$ -	\$ 59,000	\$ -

- See Accompanying Notes -

Schedules of Mineral Property Costs

Canadian Funds

	9 months ended January 31, 2005			April 30,
	Acquisition Costs	Exploration Costs	Total	2004 Total
Ontario Properties				
River Valley				
Option payments	\$ -	\$ -	\$ -	\$ -
Engineering and geological consulting	-	(38,504)	(38,504)	38,504
Kaymin advances	-	-	-	-
	-	(38,504)	(38,504)	38,504
Agnew Lake				
Drilling	-	-	-	59,591
Engineering and geological consulting	-	132,907	132,907	73,302
Assays and geochemical	-	18,938	18,938	21,925
Option payments, <i>net of recovery</i>	100,000	-	100,000	45,000
Field expenses	-	69,042	69,042	35,756
Geophysics	-	40,425	40,425	168,935
Kaymin advances	-	(261,312)	(261,312)	(354,726)
	100,000	-	100,000	49,783
ProAm				
Kaymin repayment (advances)	-	-	-	-
Option payments, <i>net of recovery</i>	3,000	-	3,000	11,360
	3,000	-	3,000	11,360
West Timmins Nickel				
Drilling	-	-	-	-
Geophysical	-	578,000	578,000	-
Field expenses	-	3,055	3,055	-
Engineering and geological consulting	-	12,296	12,296	-
Assay	-	-	-	-
	-	593,351	593,351	-
Sudbury - General				
Engineering and geological consulting	-	11,369	11,369	58,329
Field expenses	-	14,700	14,700	10,336
Assays and geochemical	-	369	369	268
	-	26,438	26,438	68,933
Quebec Properties				
Glitter Lake				
Field expenses	-	1,819	1,819	300
Engineering and geological consulting	-	3,520	3,520	-
Option payment	28,800	-	28,800	10,000
Quebec exploration tax credit	-	-	-	(23,877)
Staking	-	-	-	-
Assay	-	-	-	-
	28,800	5,339	34,139	(13,577)
Balance Carried Forward	\$ 131,800	\$ 586,624	\$ 718,424	\$ 155,003

- See Accompanying Notes -

Schedules of Mineral Property Costs

Canadian Funds

	9 months ended January 31, 2005			April 30,
	Acquisition Costs	Exploration Costs	Total	2004 Total
Balance Forward	\$ 131,800	\$ 586,624	\$ 718,424	\$ 155,003
Quebec Properties - Continued				
Retty Lake				
Option payment	15,000	-	15,000	-
Engineering and geological consulting	-	54,060	54,060	-
Quebec exploration tax credit	-	-	-	-
	15,000	54,060	69,060	-
Lac Manitou				
Option payment	26,360	-	26,360	-
Engineering and geological consulting	-	46,094	46,094	-
Field expenses	-	84,435	84,435	-
Property examination	-	-	-	5,000
	26,360	130,529	156,889	5,000
Alaska Properties				
Union Bay				
Option payment	20,000	-	20,000	37,100
Engineering and geological consulting	-	900,253	900,253	657,366
Field expenses	-	209,813	209,813	305,352
Assay	-	182,500	182,500	84,853
Drilling	-	258,265	258,265	149,684
Staking	-	-	-	95,817
Lonmin PLC advances	(53,903)	(1,550,831)	(1,604,734)	(1,230,988)
	(33,903)	-	(33,903)	99,184
Kane				
Filing fee	-	4,765	4,765	10,601
Engineering and geological consulting	-	826	826	306
Field expenses	-	-	-	-
	-	5,591	5,591	10,907
Alaska - General				
Filing fee	-	-	-	6,032
Engineering and geological consulting	-	-	-	24,317
Field expenses	-	-	-	24,425
Assay	-	-	-	-
	-	-	-	54,774
New Zealand				
Staking	-	-	-	1,984
Assay	-	-	-	445
Property fees	-	15,269	15,269	-
Engineering and geological consulting	-	907	907	767
	-	16,176	16,176	3,196
Costs for the Year	139,257	792,980	932,237	328,064
Balance – Beginning of year	443,850	90,679	534,529	330,172
Mineral property costs written off	(31,360)	(130,529)	(161,889)	(123,707)
Quebec exploration tax credit	-	-	-	-
Balance - End of Year	\$ 551,747	\$ 753,130	\$ 1,304,877	\$ 534,529

Pacific North West Capital Corp.

(An Exploration Stage Company)

Notes to Financial Statements

31 January 2005

Canadian Funds

1. Significant Accounting Policies

a) Cash and Cash Equivalents

For purposes of reporting cash flows, the company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less. The company places its cash and cash investments with institutions of high-credit worthiness.

b) Investments

Investments are recorded at the lower of cost or market value. Investments are written down to market value when the decline in market value is deemed to be other than temporary.

c) Mineral Properties and Deferred Exploration Expenditures

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. If put into production, the costs of acquisition and exploration will be written off over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will first be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs will be written off to operations.

The costs capitalized for mineral properties are regularly reviewed on a property-by-property basis to consider if there is any impairment on the subject property. When the carrying value of the property exceeds the net estimated recoverable amount for that property a provision is made for impairment in value. The net realizable value is determined based on identifiable geological reserves, joint venture expenditures or commitments or the company's assessment of its ability to sell the property for its carrying value.

The recorded costs do not necessarily reflect present or future values of the mineral properties.

When the company acquires or disposes of a property subject to an option agreement, because the option is exercisable at the option of the optionee, such option payments payable or receivable are not recorded according to the requirements under the subject option agreement. Option payments and expenditures are recorded as mineral property costs when the payments are made or the expenditures are completed.

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

The Canadian Generally Accepted Accounting Principles ("GAAP") for mineral property costs are promulgated in the Canadian Institute of Chartered Accountants ("CICA") Handbook ("Handbook"). Certain sections of the Handbook allow classification as tangible assets and a certain section allows classification as an intangible asset. The company has chosen to classify its mineral property costs as tangible assets in accordance with its interpretation of GAAP. The company believes that its interpretation of GAAP is appropriate and consistent with Canadian GAAP.

Pacific North West Capital Corp.

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Notes to Financial Statements

31 January 2005

Canadian Funds

1. Significant Accounting Policies - Continued

c) Mineral Properties and Deferred Exploration Expenditures - Continued

The alternative interpretation of GAAP would provide for capitalization of costs relating to mineral properties as an intangible asset at the time of its acquisition. For companies in the exploration stage the excess of the carrying value over the residual value would be amortized over the period of the subject option agreement, the period in which the company expects to complete its exploration programs or to sell, develop or further explore the underlying properties.

The CICA may provide additional guidance in the future that may clarify this situation and such guidance, if promulgated, may change the company's current method of accounting for the mineral property expenditures. Until such guidance is available, the company expects to continue its accounting policy of treating such costs as tangible assets.

If the company had chosen to account for these costs as intangible assets and amortized these costs on a straight line basis over either (a) the term of the agreement, (b) the period expected to complete its exploration programs or (c) the period to convert, develop or further explore the underlying mineral properties the company's financial statements would change as follows:

	2004	2003
Mineral Properties – as tangible assets	\$ 534,529	\$ 330,172
Mineral Properties – as intangible assets - costs	\$ 985,707	\$ 657,643
Mineral Properties – as intangible assets – accumulated amortization	(632,722)	(407,816)
Intangible assets - net	\$ 352,985	\$ 249,827
Net loss for the year as reported	\$ (1,276,008)	\$ (1,323,658)
Amortization of intangible assets	(224,906)	(328,556)
Write-off of mineral properties as reported	123,707	327,471
Loss for the year	\$ (1,377,207)	\$ (1,324,743)
Loss per share – Basic and diluted	\$ (0.05)	\$ (0.05)

d) Environmental Expenditures

The operations of the company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the company vary greatly and are not predictable. The company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

Pacific North West Capital Corp.

(An Exploration Stage Company)

Notes to Financial Statements

31 January 2005

Canadian Funds

1. Significant Accounting Policies - Continued

e) Mineral Exploration Tax Credits (“METC”)

The company recognizes METC amounts when the company's METC application is approved by Canada Revenue Agency auditors or when the amount to be received can be reasonably estimated and collection is reasonably assured.

f) Property, Plant and Equipment and Amortization

Property, plant and equipment are valued at cost less accumulated amortization. The company provides amortization of furniture and office equipment, and automotive equipment using the declining balance method at 20% and 30% respectively. One-half of the above rate is applied in the year of acquisition.

g) Income Taxes

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of “temporary differences” by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

h) Share Capital

- i)* The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the company.
- ii)* Share capital issued for non-monetary consideration is recorded at fair market value.

i) Foreign Currency Translation

The accounts of the company's foreign operations have been translated into Canadian dollars as follows:

- Monetary assets and liabilities at year-end rates,
- All other assets and liabilities at historical rates, and
- Revenue and expense and exploration and development items at the average rate of exchange prevailing during the year.

Exchange gains and losses arising from these translations are reflected in income or expense in the year that they occur.

Pacific North West Capital Corp.

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Notes to Financial Statements

31 January 2005

Canadian Funds

1. Significant Accounting Policies - Continued

j) Stock-Based Compensation - Change in Accounting Policy

The company adopted the recommendation of CICA Handbook Section 3870, stock based compensation and other stock-based payments, effective to all awards granted on or after 1 May 2002. This established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

As encouraged by CICA Handbook Section 3870 the company has enacted prospectively early adoption of the fair value based method of accounting for awards to employees for the fiscal year beginning 1 May 2003.

The new standard requires that all stock-based awards made to employees and non-employees be measured and recognized using a fair value based method. In prior years, stock-based compensation expense was only recognized when stock-based compensation awards were made to non-employees, while pro-forma disclosure was acceptable for awards made to employees.

k) Loss per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

l) Management's Estimates

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

m) Flow-Through Shares

The company adopted the new recommendations of the Emerging Issues Committee relating to flow-through shares effective for all flow-through agreements dated after 19 March 2004. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If a company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

Pacific North West Capital Corp.

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Notes to Financial Statements

31 January 2005

Canadian Funds

2. Fair Value of Financial Instruments

The company's financial instruments consist of cash, accounts receivable, investments, amount due from River Valley Joint Venture, restricted cash - flow-through, accounts payable and cash call payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

3. Investments

Details are as follows:

	January 31, 2005		2004
	Book Value	Market Value	Book Value
390,188 (April 30, 2004 – 390,188) common shares of Freegold Ventures Limited ("Freegold")	\$ 117,056	\$ 124,860	\$ 117,056
226,600 (April 30, 2004 – Nil common shares of CanAlaska Ventures Ltd. ("CanAlaska"))	43,132	77,044	-
150,000 (April 30, 2004 - 150,000) common shares of Consolidated Venturex Holdings Ltd. ("Venturex")	7,500	7,500	7,500
	\$ 167,688	\$ 209,404	\$ 124,556

The above investments have been accounted for using the cost method. All investments represent less than a 5% ownership of the respective companies. Freegold, CanAlaska and the company have certain directors in common. During the period, the company had a net gain on sale of investments of \$Nil.

Pacific North West Capital Corp.*(An Exploration Stage Company)***Notes to Financial Statements****31 January 2005***Canadian Funds***4. Mineral Properties**

a) Details are as follows:

	Acquisition (Net of option payments received)	Exploration	Exploration Advances	Total January 31, 2005	Total April 30, 2004
Ontario Properties					
River Valley Joint Venture	\$ 1	\$ 5,053,099	\$ (5,053,099)	\$ 1	\$ 38,505
Agnew Lake	313,500	2,585,344	(2,566,078)	332,766	232,766
ProAm	30,800	35,198	(35,198)	30,800	27,800
Sargesson and Kelly/Davis	27,900	11,954	-	39,854	39,854
General	-	26,438	-	26,438	-
West Timmins Nickel	-	593,351	-	593,351	-
Quebec Property					
Glitter	40,847	34,823	-	75,670	41,531
Lac Manitou	26,360	135,529	(161,889)	0	5,000
Retty Lake	15,000	54,060	-	69,060	-
Alaska Properties					
Union Bay	116,114	2,758,969	(2,781,819)	93,264	127,167
Kane	10,601	13,699	-	24,300	18,709
Labrador Property	1	-	-	1	1
New Zealand					
Longwoods/Takitimu	1,984	17,388	-	19,372	3,196
	\$ 583,108	\$ 11,319,852	\$ (10,598,083)	\$ 1,304,877	\$ 534,529

b) River Valley Farm-In and Joint Venture

By agreement dated 14 July 1999, the company granted to Kaymin Resources Limited ("Kaymin"), a wholly owned subsidiary of Anglo American Platinum Corporation Ltd., an option to earn up to a 65% interest in the company's portion of certain properties, including the River Valley property, the Goldwright property, the Frontier property, the Washagami property, the Razor property and the Western Front property (*Notes 4bi - 4bvi respectively*), in the Sudbury Region of Ontario. During the prior year, Kaymin elected to vest obtaining a 50% interest in the properties upon having paid the company \$300,000 (received in a prior year) and advanced and spent in excess of \$4,000,000 for exploration on the properties.

A joint venture is now in force. Under this joint venture agreement Kaymin is responsible for funding all exploration until a feasibility study is completed, which earns Kaymin an additional 10% interest. In addition, if Kaymin arranges financing for a mine it receives an additional 5% interest, increasing its ownership up to a possible 65% interest. As Kaymin controls all financing, investing and operating decisions during this second earn-in phase, the financial statements of the River Valley Joint Venture have not been incorporated on a proportionate basis into these financial statements.

The above agreement is subject to various Net Smelter Return ("NSR") royalties under the terms of the underlying agreements ranging from 2% to 3%.

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Notes to Financial Statements

31 January 2005

Canadian Funds

4. Mineral Properties – Continued

b) River Valley Farm-In and Joint Venture - Continued

i) River Valley Property

By agreement dated 15 January 1999 and amended 11 March 1999, the company acquired a 100% interest in 226 claim units, known as the River Valley Property, located in the Dana and Pardo Townships, Sudbury Mining District, Ontario. As consideration, the company paid \$265,000 and issued 600,000 common shares to the optionors. In addition, minimum annual exploration expenditures of \$100,000 were completed.

The property is subject to a 3% NSR. The company, at its option, can purchase up to 2% of the NSR from the vendors for \$2,000,000.

ii) Goldwright Property

By agreement dated 30 June 1998 and subsequently amended, the company earned a 25% interest in certain mineral claims known as the Janes property, located in the Janes Township, Sudbury Mining District, Ontario, by incurring in excess of \$350,000 of exploration expenditures on the properties by 31 May 2001.

Certain of the above claims are subject to a 2% NSR.

iii) Frontier Property

The company acquired a 100% interest in certain properties located in the Kelly and Davis Townships, Sudbury Mining District, Ontario for consideration of \$30,000.

The property is subject to a 2% NSR.

iv) Washagami Property

The company acquired a 100% interest in certain mineral claims, known as the Washagami property located in the Davis and Janes Townships, Sudbury Mining District, Ontario for consideration of \$28,200.

The property is subject to a 2% NSR.

v) Razor Property

The company acquired a 100% interest in certain mineral claims located in the Dana Township, Sudbury Mining District, Ontario for consideration of \$30,000.

The property is subject to a 2% NSR.

Pacific North West Capital Corp.
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4. Mineral Properties – Continued

b) **River Valley Farm-In and Joint Venture - Continued**

vi) **Western Front Property**

By agreement dated 16 November 2001, the company can acquire a 70% interest in certain mineral claims known as the Western Front property from a company (the “optionor”) with certain directors in common.

As consideration, the company, paid \$55,000 and issued 20,000 shares to the optionors. In addition, an exploration expenditure of \$50,000 was completed.

The company has the right to purchase an additional 30% interest in the property by paying \$750,000 to the optionor.

The property is subject to a 3% NSR, the first 1% of which the company can purchase for \$1,000,000; the second 1% can be purchased for \$2,000,000. The company and the optionor will share the NSR buyout privileges in proportion to their respective interests.

c) **Agnew Lake Property (Note 4 (e))**

By agreement dated 15 August 2000 and amended 16 August 2001 and 2 December 2003, the company can acquire a 50% interest in certain mineral claims, known as the Agnew Lake property, located in the Shakespeare, Dunlop, Shibananing and Gough Townships, Sudbury Mining District, Ontario.

As consideration the company, at its option, must incur \$500,000 of exploration expenditures on the property by 20 December 2004 and issue shares and make payments as follows:

			Option Payments	Shares
Upon execution of the agreement	<i>(paid and issued)</i>		\$ 30,000	25,000
On or before 18 June 2001	<i>(paid and issued)</i>		35,000	25,000
On or before 31 October 2001	<i>(issued)</i>	<i>(i)</i>	-	75,000
On or before 22 December 2002	<i>(paid)</i>		35,000	-
Within 45 days of Kaymin <i>(Note 4e)</i> electing to proceed with 2002 exploration program	<i>(issued)</i>	<i>(i)</i>	-	75,000
On or before 22 December 2003	<i>(paid)</i>		45,000	-
Within 45 days of Kaymin electing to proceed with 2003 exploration program	<i>(issued)</i>	<i>(i)</i>	-	75,000
On or before 20 December 2004	<i>(paid)</i>		55,000	-
Within 45 days of Kaymin electing to proceed with 2004 exploration program	<i>(issued)</i>	<i>(i)</i>	-	75,000
Total			\$ 200,000	350,000

i) The company may satisfy in whole or part of its obligation to incur \$500,000 in exploration expenditures by issuing these shares. The shares issued are to be valued at the higher of the ten-day average trading price prior to the date of issuance and a minimum price of \$0.60 per share.

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4. Mineral Properties - Continued

c) Agnew Lake Property (Note 4 (e)) - Continued

Under the amendment dated 2 December 2003, the shares and exploration expenditures to be issued/incurred by the company are as follows:

If Kaymin elects to fund the project beyond 31 December 2005, within 90 days of electing to proceed, the company, at its option, would be required to issue additional shares to make the accumulated value of all shares issued equal \$500,000.

If Kaymin elects not to fund exploration beyond 31 December 2005, the company, at its option would be required to issue additional shares or incur exploration expenditures to make the accumulated value of all shares and exploration expenditures equal \$500,000.

The property is subject to a 1% carried interest and up to a 2% NSR.

d) ProAm Property

By agreement dated 12 October 2001, the company and a third party (collectively "the optionees") can acquire a 100% interest (50% each) in certain mineral claims, known as the ProAm property, located in the Dunlop and Shakespeare Townships, Sudbury Mining District, Ontario. As consideration, the optionees, at their option, must collectively incur \$400,000 of exploration expenditures on the property by 12 October 2005. In addition, the company has paid cash payments of \$30,000 and issued 21,000 of the company's shares.

In addition, the optionees must make an annual payment of \$6,000 in pre-production royalties commencing 30 December 2004.

The cash and share payments above are included as part of the work commitment. Share payments will be valued at the ten-day average trading price as at the relevant anniversary date of this agreement.

If the optionees terminate the agreement, the optionees must maintain the property in good standing for a further two years from the date of termination.

The property is subject to an underlying royalty to the original vendor of 2.5%. The optionees may purchase 1.5% of this royalty for \$1.6 million. Upon exercising the 100% option, the optionor will receive a 0.75% NSR on the property.

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4. Mineral Properties - Continued

e) Agnew Lake Farm-In

By agreement dated 25 May 2001 and amended 10 October 2003, the company and the underlying optionor collectively optioned to Kaymin up to a 60% interest (30% of the company's interest) in the Agnew Lake property and the ProAm property (*Note 4c and d*), located in the Sudbury region, Ontario.

Kaymin may, at its option, earn a 49.5% interest in the properties by making cash payments to the company and the underlying optionor of \$200,000 each (received), and advancing funds for exploration and development expenditures as follows:

		Cumulative Amounts
By 31 December 2001	<i>(advanced)</i>	\$ 1,400,000
By 31 December 2002	<i>(advanced)</i>	\$ 2,650,000
By 31 December 2004	<i>(\$2,900,320 advanced)</i>	\$ 4,150,000
By 31 December 2005		\$ 6,000,000

These amounts include the reimbursement to the company for its previous expenditures on the property of \$226,205 (received). Once a minimum of \$2,400,000 has been advanced, Kaymin can give notice of vesting and receive its proportionate earn-in interest based on the amount advanced to date, divided by \$6,000,000. In total, Kaymin has advanced \$2,900,320 towards the Agnew project up to 30 April 2004 qualifying Kaymin to vest. To date, Kaymin has not yet declared that they intend to vest. Assuming that Kaymin will vest, all further advances up to \$6,000,000 will increase Kaymin's percentage proportionately up to a 49.5% interest.

Although the company has received the full amount of these funds from Kaymin, the company, as Manager of the project, has not yet incurred the full amount in exploration expenditures on the property. As at 31 January 2005, the funds advanced by Kaymin less the exploration expenditures incurred, has been recorded as a cash call payable of \$6,396 (April 30, 2004 - \$18,758).

Once the 49.5% interest is earned, Kaymin can increase its interest to 57% by entering into a joint venture agreement with the company and the underlying optionor and completing a feasibility study. A further 3%, increasing ownership to 60%, can be earned by arranging funding for all development and construction costs to commercial production. The company and the underlying optionor are required to repay their portions of the joint venture costs from a percentage of their share of production from the project.

At any time within three years following commencement of commercial production, Kaymin, at its option, has the right to purchase an additional 5% interest based upon the net present value of the operations.

The original property vendors retain a 1% carried interest and up to a 2% NSR.

A bonus of \$100,000 was paid to a director and officer of the company for this agreement in a prior year.

Pacific North West Capital Corp.

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4. Mineral Properties - Continued

f) Sargesson and Kelly/Davis Properties

The company acquired a 100% interest in certain mineral claims, known as the Sargesson and Kelly/Davis properties, located in the Janes, Davis and Kelly Townships, Sudbury Mining District, Ontario. As consideration, the company paid \$68,400 and incurred \$30,000 in exploration expenditures.

The property is subject to a 2% NSR. The company can purchase 1% of the NSR from the vendors for \$400,000 and has the right of first refusal on the remaining 1% NSR.

g) Glitter Lake Property

By agreement dated 15 August 2003, the company can acquire, from CanAlaska Ventures Ltd. ("CanAlaska"), a company with directors in common, a 50% interest in certain mineral claims known as the Glitter Lake property, located in the province of Quebec.

As consideration, the company, at its option, must issue shares, make payments and incur exploration expenditures as follows:

		Payments	Shares	Exploration Expenditures
On or before 15 April 2003	(completed)	\$ -	-	\$ 50,000
Upon execution of agreement	(paid)	10,000		
Within 5 business days of receiving regulatory approval	(issued)		20,000	
On or before 15 August 2004	(paid)	15,000	-	-
On or before the 1 st anniversary of receiving regulatory approval			20,000	
On or before 28 January 2005		-	-	150,000
On or before 15 April 2005		-	-	200,000
On or before 15 August 2005		20,000	-	-
On or before the 2nd anniversary of receiving regulatory approval			20,000	
On or before 15 April 2006		-	-	300,000
Total		\$ 45,000	60,000	\$ 700,000

Upon the company having vested with a 50% interest by completing the aforementioned payments and obligations, the company may elect within 45 days to increase its interest to 60% by completing a bankable feasibility study within 24 months. In the event the company does not complete a bankable feasibility study within two years, the company agrees to make cash payments in the amount of \$50,000 per annum for each year the feasibility study is not completed. Upon vesting with a 60% interest the company may elect within 90 days to earn a 70% interest in the property by placing the property into commercial production within 2 years from the date of this election. In the event that the bankable feasibility study indicates an IRR in excess of 15%, the company agrees to make annual cash payments of \$50,000 to the Optionor for each year the project is not placed into commercial production.

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4. Mineral Properties - Continued

g) Glitter Lake Property - Continued

In the event that a major mining company elects to participate in the project before the company vests with a 50% interest, the company will issue shares to the value of \$100,000 to CanAlaska, within 15 days of the company becoming vested, or pay such amount that will result in the company having spent \$1 million in exploration expenditures.

The property is subject to a 1.5% NSR payable to a third party. The company and CanAlaska will share the NSR buyout privileges in proportion to their respective interests.

h) Union Bay Property, Alaska

By agreement dated 1 October 2002 and amended 2 April 2003 and 4 February 2004, the company can acquire, from Freegold, a company with certain directors and officers in common with the company, up to a 50% interest in 785 claim units known as the Union Bay Property, located in South East Alaska. As consideration, the company, at its option, must subscribe to purchase a private placement of \$165,000 (completed) and must issue shares and make payments as follows:

		Option Payments	Shares
Within 5 days of approval by regulatory authorities	<i>(issued)</i>	\$ -	30,000
On or before the first anniversary of regulatory approval	<i>(issued)</i>	-	30,000
On or before 1 July 2003	<i>(paid)</i>	20,000	-
On or before 1 July 2004	<i>(paid)</i>	20,000	-
On or before 1 July 2005		30,000	-
On or before 1 July 2006		30,000	-
Total		\$ 100,000	60,000

In addition to the above, minimum aggregate exploration expenditures of \$1,000,000 must be completed by 1 July 2006, as follows:

On or before 1 July 2003	<i>(completed)</i>	\$ 30,000
On or before 1 July 2004	<i>(completed)</i>	\$ 30,000
Minimum aggregate on or before 1 July 2005		\$ 400,000
Minimum aggregate on or before 1 July 2006		\$ 1,000,000

Pacific North West Capital Corp.

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Canadian Funds

4. Mineral Properties - Continued

h) Union Bay Property, Alaska - Continued

The company is responsible for the annual rents due on the property. These rental payments shall be made on or before 16 August of each year the agreement is in effect.

Upon the company having vested with a 50% interest by completing the aforementioned payments and obligations, the company may elect within 45 days to increase its interest to 60% by completing a feasibility study within 12 months of becoming vested. Upon vesting with a 60% interest, the company may within 90 days elect to increase its interest to 70% by placing the property into commercial production.

Under an amendment dated 2 April 2003, in the event a major mining company elects to participate in the project before the company vests with a 50% interest, and subsequently vests with an interest in the property, the company and Freegold shall each, at the time of vesting, be deemed to hold a 50% interest in the property and the company shall relinquish its right to earn a 60% or 70% interest. The company will then issue shares to the value of \$100,000 to Freegold within 15 days of the company becoming vested. The shares will be issued at a price equivalent to the volume weighted five-day average price preceding the vesting date. In addition, the company will receive 100% of the first US\$60,000 received in cash payments from any third party agreement with subsequent payments divided equally between the company and Freegold.

By joint venture agreement dated 21 May 2003 with Lonmin PLC ("Lonmin") (a major mining company), the company and Freegold granted an option to Lonmin for up to a 70% interest in the Union Bay platinum project. To earn a 60% interest, Lonmin must incur, at its option, exploration expenditures of U.S. \$815,000 (completed) in 2003 and a minimum of U.S. \$1,000,000 per year in 2004, 2005 and 2006 and U.S. \$750,000 for each year thereafter. Lonmin may earn an additional 10% interest in the project by delivering a full feasibility study. Upon the decision, by the management committee to proceed to place the project into commercial production, Lonmin will arrange 100% of the required financing on terms acceptable to all parties. Following commencement of commercial production, the company and Freegold will each repay their share of the exploration costs and contribute pro rata to operating costs. The company is the operator of the project during the exploration phase.

i) Kane Property, Alaska

In a prior year the company acquired 30 claims by staking in Alaska.

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4. Mineral Properties - Continued

j) Lac Manitou, Quebec

By agreement dated 6 May 2004, the company can acquire 100% in certain claims known as the Lac Manitou property. As consideration, the company, at its option, must complete the following:

		Option payments	Shares	Exploration expenditure
Within 5 days of regulatory approval	<i>(issued and paid)</i>	\$ 10,000	15,000	\$ -
On or before 31 December 2004		-	-	100,000
On or before 6 May 2005		20,000	20,000	-
On or before 31 December 2005		-	-	250,000
On or before 6 May 2006		50,000	50,000	-
On or before 31 December 2006		-	-	250,000
		<u>\$ 80,000</u>	<u>85,000</u>	<u>\$ 600,000</u>

The property is subject to a 2.5% NSR, 1% of which can be purchased for \$750,000 and an additional 0.5% can be purchased for \$500,000

On January 31, 2005, the company terminated this agreement. Accordingly, all acquisition and exploration costs previously incurred have been written off.

k) New Zealand, Longwoods/Takitimu

During the period ended January 31, 2005, the company was granted an exploration permit called Longwoods, New Zealand. The permit in Takitimu has not been granted as at January 31, 2005.

l) West Timmins Nickel Project, Ontario

By agreement dated 28 October 2004, the company may earn up to a 100 % interest in the West Timmins Nickel Project from Falconbridge Inc. ("Falconbridge"). The project is located in the Timmins region of Ontario.

Under the terms of the Agreement, the company will spend \$4 million over a four year period in order to vest with a 100% interest in the project. Falconbridge, for its part, will retain a 2% NSR and may, under certain circumstances, back in and earn up to a 65% interest by either completing a feasibility study or spending \$20 million on a feasibility study whichever occurs first. Under the agreement, the company will act as Project Operator effective January 1, 2005. Year 1 expenditures through December 31st 2005 will total \$750,000.

In addition to the above, minimum aggregate exploration expenditures of \$4,000,000 must be completed by 31 December 2008, as follows:

On or before 31 December 2005	<i>(guaranteed)</i> \$ 750,000
On or before 31 December 2006	\$ 1,500,000
On or before 31 December 2007	\$ 2,500,000
On or before 31 December 2008	\$ 4,000,000

Pacific North West Capital Corp.
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5. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	January 31, 2005 Net Book Value	April 30, 2004 Net Book Value
Automotive equipment	\$ 13,017	\$ 7,595	\$ 5,422	\$ 5,422
Furniture and office equipment	149,623	56,780	92,843	65,623
	\$ 162,640	\$ 64,375	\$ 98,265	\$ 71,045

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6. Related Party Transactions

Except as disclosed elsewhere in these financial statements, details are as follows:

- a) During the period, engineering and consulting fees of \$22,800 were paid to an officer and a company controlled by the officer.
 - b) During the period, fees for consulting services in the amount of \$1,860 were paid to a director of the company.
 - c) During the period, fees for consulting services in the amount of \$35,300 were paid to an officer and a company controlled by the officer.
 - d) During the period, management fees of \$59,280 were paid to a company controlled by a director and officer.
 - e) During the period, rent in the amount of \$40,309 was paid to a company controlled by an officer and director.
 - f) During the period, accounting fees in the amount of \$37,100 were paid to a company controlled by an officer and director.
 - g) During the period, engineering and consulting fees in the amount of \$51,026 were paid to an officer and a company controlled by the officer.
-

7. Share Capital

a) Private Placements

During the year ended April 30, 2004, the company issued 1,111,111 flow-through shares and 3,333,333 non-flow-through units at a price of \$0.45 for gross proceeds of \$2,000,000. Each non-flow-through unit consists of one common share and one-half share purchase warrant exercisable for 12 months at \$0.60 per share. The agents received 333,332 agent's warrants exercisable at \$0.50 per share for 12 months. A total of 63,032 non-flow-through units were purchased by related parties.

During the year ended April 30, 2004, the company issued 200,000 flow-through units and 2,200,000 non-flow-through units at a price of \$1.00 for gross proceeds of \$2,400,000. Each unit consists of one common share and one-half share purchase warrant exercisable for 18 months at \$1.10 per share. The agents received 74,725 finder's units and 500,000 agent's warrants. Each finder's unit consists of one common share and one-half share purchase warrant. The agent's warrants have the same terms as the issued warrants.

During the year ended April 30, 2004, the company issued 250,000 flow-through units and 2,250,000 non-flow-through units at a price of \$0.80 for gross proceeds of \$2,000,000. Each unit consists of one common share and one-half share purchase warrant exercisable for 18 months at \$1.00 per share.

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7. Share Capital – Continued

b) Flow-Through Shares

Flow-through shares are shares issued by a company that incurs certain resource expenditures and then renounces them for Canadian tax purposes. This allows the expenditures to flow through to the subscriber for tax purposes. The subscribers may in turn claim the expenditure as a deduction on their personal or corporate tax returns.

The total amount of funds raised through the flow-through shares must be spent on qualified mineral exploration. The use of proceeds from flow-through shares is restricted to certain Canadian Exploration Expenditures under Canadian Income Tax Legislation. Restricted Cash - Flow-Through represents funds received from flow-through issuances that management estimates have not been spent as at the balance sheet date.

c) Exercise of Warrants and Options

- i) During the period, 38,400 warrants were exercised for gross proceeds of \$19,200.
- ii) During the period, 18,000 warrants were exercised for gross proceeds of \$8,720.

d) Performance Shares

During the year ended April 30, 2004, 1,116,940 performance shares were reserved for issue. At the discretion of the board of directors ("Board"), these shares may be issued to such arm's length parties as the Board considers desirable to attract consultants to the company.

During the year, the Board authorized the issuance of up to 300,000 performance shares at a price of \$0.01 per share to attract a new officer to the company. These shares are to be released as follows:

<u>Shares</u>	<u>Date</u>	
50,000	15 January 2004	(issued)
50,000	30 June 2004	(issued*)
50,000	31 October 2004	(issued*)
50,000	28 February 2005	
50,000	1 July 2005	
<u>50,000</u>	<u>1 December 2005</u>	
300,000		

* 50,000 performance shares were issued at \$0.01 per share for total proceeds of \$500. The fair market value of the performance shares at the date of the issuance was \$30,000 at \$0.60 per share. The difference between the issue price and the fair market value (\$29,500) was recorded in the accounts as consulting fees. The offsetting entry is to share capital.

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7. Share Capital – Continued

e) Share Purchase Options

The company has established a share purchase option plan whereby the board of directors may from time to time grant options to directors, officers, employees or consultants. Options granted must be exercised no later than ten years from date of grant or such lesser period as determined by the company's board of directors. The exercise price of an option is to be not less than the closing price on the Toronto Stock Exchange ("TSX") on the last trading day preceding the grant date. Options vest on the grant date.

i) A summary of the company's options at 31 January 2005 and the changes for the year are as follows:

Number outstanding 30 April 2004	Granted	Exercised	Expired/ Cancelled	Number outstanding 31 Oct. 2004	Exercise price per share	Expiry date
-	-	-	-	-	\$0.60	20 April 2004
13,000	-	(13,000)	-	-	\$0.44	20 October 2004
456,500	-	-	-	456,500	\$0.83	28 February 2005
400,000	-	-	-	400,000	\$0.60	3 May 2005
-	-	-	-	-	\$2.10	3 May 2005
249,000	-	-	-	249,000	\$0.60	15 December 2005
320,000	-	-	-	320,000	\$0.60	21 December 2006
900,000	-	(5,000)	-	895,000	\$0.60	31 December 2007
100,000	-	-	(100,000)	-	\$0.46	1 July 2004
75,000	-	-	(75,000)	-	\$0.76	1 September 2004
655,000	-	-	(20,000)	635,000	\$0.76	10 September 2008
110,000	-	-	-	110,000	\$1.00	10 February 2007
80,000	-	-	(20,000)	60,000	\$0.80	18 March 2006
-	150,000	-	-	150,000	\$0.80	18 March 2006
-	2,000,000	-	-	2,000,000	\$0.60	5 November 2009
3,358,500	2,150,000	(18,000)	(215,000)	5,275,500		

ii) Stock-Based Compensation

Effective 1 May 2003, the company adopted the new recommendation of CICA Handbook Section 3870 (*Note 1j*). This standard requires that stock-based awards made to employees and non-employees are to be measured and recognized using a fair value based method.

During the year ended April 30, 2004, the company granted options to purchase up to 1,090,000 shares of the company at exercise prices between \$0.46 to \$1.00 per share. Of these options, 330,000 were granted to employees of the Company.

The total fair value of the options granted was calculated to be \$348,000 on the grant date. Since the options were granted under a graded vesting schedule, \$223,000 of the fair value has been recorded in the company accounts during the year ended April 30, 2004 and \$93,300 recorded to January 31, 2005. The offsetting entry is to share capital.

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7. Share Capital – Continued

e) **Share Purchase Options - Continued**

ii) **Stock-Based Compensation - Continued**

During the quarter ended January 31, 2005, the company granted options to purchase up to 2,000,000 shares of the company at the exercise price of \$0.60 in years one, two and three and an exercise price of \$0.70 in years four and five per common share for a period of five years.

The total fair value of the options granted was calculated to be \$620,000 on the grant date. Since the options were granted under a graded vesting schedule, \$155,000 of the fair value has been recorded in the company accounts during the quarter ended January 31, 2005. The offsetting entry is to share capital

The fair value of each option grant is estimated on the date of grant using the Black-Scholes Option Pricing Model with the following assumptions:

Expected dividend yield	0.00%
Expected stock price volatility	50.5% - 64.7%
Risk free interest rate	2.69% - 3.86%
Expected life of options	1-5 years

f) **Share Purchase Warrants**

As at 31 January 2005, the following share purchase warrants were outstanding:

Shares	Exercise Price	Expiry Date
1,080,111	\$0.60	30 September 2005
148,492	\$0.50	30 September 2005
107,000	\$1.10	23 June 2005
1,100,000	\$1.10	13 July 2005
337,362	\$1.10	13 July 2005
100,000	\$1.25	13 July 2005
100,000	\$1.50	13 July 2005
1,250,000	\$1.00	26 October 2005
55,555	\$0.50	6 November 2007
<u>4,278,520</u>		

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8. Income Taxes

The company has incurred certain mineral property related expenditures of approximately \$3,076,000, which may be carried forward indefinitely to reduce prescribed taxable income in future years .

The company has non-capital losses for tax purposes of approximately \$2,825,000, which may be carried forward and expire as follows:

	<u>Amount</u>
2005	\$ 93,000
2009	833,000
2010	922,000
2011	<u>977,000</u>
	<u>\$ 2,825,000</u>

The potential future tax benefits of these expenditures and tax losses have not been recognized in these financial statements.

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9. Commitments

a) By agreement effective 17 August 1999, the company entered into a three-year management agreement with a company controlled by a director and officer. Compensation is \$4,000 per month for the first year, \$4,800 per month for the second year and \$5,760 per month for the third year plus benefits. The officer and director is also entitled to receive up to 20% of all stock options granted during the period that the agreement is in place. This agreement is renewable for three-year periods with mutual consent. The company may terminate the agreement at any time but will be responsible to pay \$48,000 plus one year's compensation. During the prior year, this agreement expired but effective August 1, 2004, the company began to pay \$7,000 on a month-to-month basis. The company plans to renew the contract in due course.

b) By agreement dated 1 July 2000 and amended 8 November 2000, the company entered into a five-year lease for premises with a company controlled by a director and officer. Minimum basic rent is as follows:

	<u>Amount</u>
2005	\$ 32,760
2006 (expiry in June 2005)	<u>5,460</u>
	<u>\$ 38,220</u>

In addition to the basic rent, the company is responsible for its proportionate share of property taxes and operating costs.

10. Contingent Liability

Subsequent to the year ended April 30, 2004, the Canada Revenue Agency ("CRA") reviewed and examined the Canadian Exploration Expenditures ("CEE") renounced by the company through its issuance of flow-through shares for the periods ending from 31 December 1998 to 2003. According to the CRA proposal letter, not all of the exploration expenditures made pursuant to the Kaymin farm-in agreement met the test for having been incurred by the company. Further, the CRA assumed that the denied CEE should be fully removed from the company's CEE pool. On this basis CRA proposes to disallow approximately \$2,100,000 of exploration expenditures and charge additional penalty taxes of \$267,000.

Should the CRA proposal be successful the company may be subject to some or all of the following:

- the company's un-renounced CEE pool may require amendment for the disallowance (*Note 8*);
- the company's corporation income tax return and flow-through share filings may require amendment;
- the company may be required to pay the additional penalty taxes; and
- the company may be required to compensate the shareholders for the impact of the disallowance.

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31 January 2005

Canadian Funds

10. Contingent Liability – *Continued*

Prior to the filing of the flow-through share documents, the company had received independent legal advice that the subject expenditures were appropriate and allowable. Therefore management of the company intends to vigorously contest this proposal.

No amounts have been accrued in these financial statements relating to this contingency because management believes it will be successful in challenging the CRA's position, and the ultimate outcome cannot be reasonably determined at the present time.
