

Banro Corporation
Interim Consolidated Financial Statements
September 30, 2004
(Expressed in U.S. dollars)

NOTICE TO READER

These interim consolidated financial statements of Banro Corporation as at and for the three and nine month periods ended September 30, 2004 have been prepared by management of Banro Corporation. The auditors of Banro Corporation have not audited or reviewed these interim consolidated financial statements.

Banro Corporation
Interim Consolidated Financial Statements
September 30, 2004
(Expressed in U.S. dollars)

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Banro Corporation
Consolidated Balance Sheets
(Expressed in U.S. dollars)

As at:	September 30,	December
	2004	2003
	(unaudited)	

Assets

Current

Cash	\$ 10,216,302	\$ 938,930
Accounts receivable and prepaid expenses	318,575	12,495
Amounts due from related parties	28,148	50,596
	10,563,025	1,002,021
Note receivable (Note 2)	216,320	216,320
Investments (Note 3)	958,917	1,014,939
Property, plant and equipment (Note 4)	447,511	142,456
Deferred exploration expenditures (Note 5)	1,494,956	322,690
	\$ 13,680,729	\$ 2,698,426

Liabilities and Shareholders' Equity

Current

Accounts payable	\$ 8,776	\$ 40,953
	8,776	40,953
Shareholders' equity		
Share capital (Note 6)	51,344,037	39,469,888
Contributed surplus (Note 6)	1,960,254	502,014
Deficit	(39,632,338)	(37,314,429)
	13,671,953	2,657,473
	\$ 13,680,729	\$ 2,698,426

Banro Corporation
Consolidated Statements of Operations and Deficit
(Expressed in U.S. dollars)
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2004	2003	2004	2003
Expenses				
Professional fees	\$ 20,185	\$ 67,099	\$ 142,120	\$ 135,355
Consulting fees	26,219	19,281	34,338	196,942
Office and sundry	149,932	27,157	316,582	92,418
Salary	165,689	67,838	344,441	195,852
Stock option compensation expense	501,498	-	1,298,371	-
Travel and promotion	54,983	73,679	332,259	153,157
Shareholder relations	19,875	20,549	45,632	34,903
Management fees	-	3,050	-	30,716
Interest and bank charges	1,628	741	4,106	2,684
Amortization	13,755	11,122	36,501	32,926
Foreign exchange loss	(422,761)	3,081	(177,475)	(271,762)
	(531,003)	(293,597)	(2,376,875)	(603,191)
Interest income	38,402	4,658	97,953	17,585
Loss from operations	(492,601)	(288,939)	(2,278,922)	(585,606)
Equity share of loss of BRC Diamond Corp	(28,398)	(17,182)	(62,804)	(87,105)
Miscellaneous income earned	23,816	62,401	23,816	361,457
Net earnings (loss) for the period	(497,183)	(243,720)	(2,317,910)	(311,254)
Deficit, beginning of the period	(39,135,155)	(36,520,981)	(37,314,428)	(36,453,447)
Deficit, end of the period	\$(39,632,338)	\$(36,764,701)	\$(39,632,338)	\$(36,764,701)
Earnings (loss) per share	\$ (0.04)	\$ (0.02)	\$ (0.19)	\$ (0.03)

Banro Corporation
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2004	2003	2004	2003
Cash provided by (used in)				
Operating activities				
Net earnings (loss) for the period	\$(497,183)	\$(243,720)	\$(2,317,910)	\$ (311,254)
Adjustments to reconcile loss to net cash				
Provided by operating activities				
Equity loss	28,398	17,182	62,804	87,105
Value of options issued	501,498	(3,038)	1,298,371	15,539
Amortization	13,755	11,122	36,501	32,926
Changes in non-cash working capital				
Accounts receivable and prepaid exp.	(5,905)	(152,699)	(306,080)	(152,128)
Accounts payable	(13,815)	(1,432)	(32,177)	(66,183)
	<u>26,748</u>	<u>(372,585)</u>	<u>(1,258,491)</u>	<u>(393,995)</u>
Investing activities				
Capital Assets	(336,788)	(2,023)	(357,727)	(5,885)
Deferred exploration expenditures	(424,405)	-	(996,225)	-
Advances to BRC/NBI	2,683	(152,290)	(6,782)	255,005
	<u>(758,510)</u>	<u>(154,313)</u>	<u>(1,360,734)</u>	<u>219,118</u>
Financing activities				
Due to/from related parties	(28,148)	156,017	22,448	(206,952)
Common shares and warrants issued	23,494	-	11,874,149	-
	<u>(4,654)</u>	<u>156,017</u>	<u>11,896,597</u>	<u>(206,952)</u>
Net increase (decrease) in cash during the period	(736,416)	(370,881)	9,277,372	(381,829)
Cash, beginning of the period	10,952,718	1,217,057	938,930	1,228,005
Cash, end of the period	\$10,216,302	\$ 846,176	\$10,216,302	\$ 846,176

Banro Corporation
Summary of Significant Accounting Policies
(Expressed in U.S. dollars)

(Unaudited)

September 30, 2004

Nature of Business

Banro Corporation's (the "Company") business focus is the exploration of mineral properties in the Democratic Republic of the Congo (the "Congo"). The Company was continued under the *Canada Business Corporations Act* on April 2, 2004. The Company was previously governed by the Ontario *Business Corporations Act*.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary in the United States, Banro American Resources Inc., and its wholly-owned subsidiaries in the Congo, Banro Congo Mining SARL, Kamituga Mining SARL, Lugushwa Mining SARL, Namoya Mining SARL and Twangiza Mining SARL.

Up to September 30, 2003, the consolidated financial statements also included the accounts of the Company's 93% owned subsidiary in the Congo, Société Aurifère du Kivu et du Maniema S.A.R.L. ("Sakima"). The Congolese government held the remaining 7% ownership interest of Sakima (Note 1).

Investments

Investments in companies subject to significant influence are accounted for using the equity method. Other long-term investments are accounted for using the cost method.

**Property, Plant and
Equipment**

Property, plant and equipment is recorded at cost. Amortization is recorded as follows:

Office furniture and fixtures - 20% declining balance basis
Office equipment - Straight line over four years
Vehicles - Straight line over four years
Leasehold improvements - Straight line over five years

Foreign Currency Translation

These consolidated financial statements are expressed in the functional currency of the Company, United States dollars. For integrated operations, monetary assets and liabilities are translated at the spot rates of exchange in effect at the end of the period; non-monetary items are translated at historical exchange rates in effect on the dates of the transactions. Revenues and expense items, except amortization, are translated at average rates of exchange in effect during the period. Realized exchange gains and losses and currency translation adjustments are included in the consolidated statements of operations and deficit.

Banro Corporation
Summary of Significant Accounting Policies
(Expressed in U.S. dollars)

(Unaudited)

September 30, 2004

**Deferred Exploration
Expenditures**

Exploration costs relating to mineral properties and rights are deferred and carried as an asset until the results of the projects are known. As the Company currently has no operational income, any incidental revenues earned in connection with these properties or related exploration activities are applied as a reduction to capitalized exploration costs. If a property is determined to be non-commercial, non-productive or its value is impaired, those costs in excess of estimated recoveries are charged to operations.

Stock Options

The Company has a stock option plan, which is described in Note 6(d). During 2003 the Company adopted, on a prospective basis, the fair value method of accounting for stock options granted to directors, officers and employees whereby the weighted average fair value of options granted is recorded as a compensation expense in the financial statements. Compensation expense on stock options granted to non-employees is recorded as an expense in the period the options are vested using the fair value method. Any consideration paid by directors, officers, employees and consultants on exercise of stock options or purchases of shares is credited to share capital.

Financial Instruments

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of its financial instruments approximate their carrying values, unless otherwise noted.

Income Taxes

The asset and liability method is used to determine income taxes. Pursuant to this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between financial statement carrying values and tax bases of assets and liabilities. Future tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. Net future income tax losses are offset by valuation allowances to the extent that they are not more likely not to be realized.

Use of Estimates

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)
(Unaudited)

September 30, 2004

1. Interest in Congolese Subsidiaries

On July 31, 1998, the Company discovered that the government of the Congo, without prior warning or consultation, had issued Presidential decrees purporting to, among other things, (a) dissolve Sakima and (b) terminate the Company's mining convention relating to the Company's mineral properties. The Company disputed the validity of the Congolese government actions and vigorously pursued resolution of the disputes through legal procedures.

On April 18, 2002, the government of the Congo formally signed a settlement agreement with the Company. The agreement calls for, among other things, the Company to hold 100% interests in the Twangiza, Kamituga, Lugushwa and Namoya gold deposits under a revived 30-year mining convention. The government of the Congo will retain 100% of the tin assets. Subsequent to the signing of the settlement agreement the Company filed with the Federal Court in Washington, DC, a notice of dismissal with respect to its legal action against the Congolese government.

On May 30, 2003, the government of the Congo issued Presidential decrees to rescind the July 31, 1998 decrees and to amend the Company's mining convention in accordance with the settlement agreement signed on April 18, 2002.

On September 30, 2003, the Company wound up the operations of Sakima and will transfer all its shares in Sakima to the government of Congo in accordance with the April 18, 2002 settlement agreement after Sakima's title in the gold deposits is transferred to the Company's new wholly-owned Congolese subsidiaries.

The Company operates primarily in one operating segment and its assets located in the Congo, including its interests in gold and other mining properties, may be subject to sovereign risks, including political and economic instability, government regulations relating to mining, military repression, civil disorder, currency fluctuations and inflation, all or any of which may impede the Company's activities in this country or may result in the impairment or loss of part or all of the Company's interest in the properties.

2. Note Receivable

The note, receivable from a shareholder of the Company, is secured by a pledge of marketable securities with a market value at September 30, 2004 of \$67,433 and bears interest at 4% per annum. The principal and interest accrued thereon is due on November 30, 2004.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)
(Unaudited)

September 30, 2004

3. Investments

(a) Investment in Nevada Bob's International Inc.

Effective December 31, 2003, the Company entered into an agreement with Nevada Bob's International Inc. (NBI), a franchisor of golf equipment and apparel, in order to purchase 941,255 common shares of NBI at a price of \$0.40 per share, or \$376,502 in the aggregate, in order to settle an outstanding debt of NBI to the Company of the equivalent amount. The transaction closed in February 2004. The quoted market value of the shares on September 30, 2004 was \$0.30 per share or \$282,377 in aggregate.

The investment represents 6.05% of outstanding common shares of NBI and is accounted for under the cost method, as management does not have the ability to exercise significant influence over NBI. This investment will continue to be carried at cost and will be written down only when there has been a loss in value which is other than temporary.

(b) Investment in BRC Diamond Corporation

On March 10, 2004, the Company completed a debt settlement transaction with BRC Diamond Corporation (formerly BRC Development Corporation) (BRC). Pursuant to this transaction, the Company purchased 244,032 common shares of BRC at a price of Cdn. \$1.35 per share, or Cdn. \$329,443 in aggregate, in order to settle an outstanding debt of BRC to the Company of the equivalent amount. The Company owns 3,744,032 common shares, representing a 40.09% (Dec. 31, 2003 – 40.30%) equity interest, in BRC with a quoted market value of approximately \$5,935,040 at September 30, 2004 (Dec. 31, 2003 - \$3,509,448).

On August 11, 2004 BRC, whose principal business is the acquisition and exploration of mineral properties, was continued under the *Canada Business Corporations Act* and changed its name from BRC Development Corporation to BRC Diamond Corporation.

The Company's investment in BRC is summarized as follows:

	As at and for the nine month period ended Sept. 30, 2004	As at and for the year ended Dec. 31, 2003
Equity investment, beginning of year	\$ 383,338	\$ 502,968
Acquisitions	<u>254,099</u>	<u>-</u>
	637,437	502,968
Share of equity loss	(62,804)	(116,731)
Loss on dilution of interest	<u>-</u>	<u>(2,899)</u>
	574,633	383,338
Equity investment, end of period	<u>7,782</u>	<u>255,099</u>
Amount due from BRC	<u>582,415</u>	<u>638,437</u>
	\$ 582,415	\$ 638,437

The amount due from BRC is unsecured, non-interest bearing and is due on demand.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)
(Unaudited)

September 30, 2004

3. Investments (continued)

(b) Investment in BRC Diamond Corporation (continued)

BRC's summarized consolidated balance sheets and income statements as at and for the nine month period ended September 30, 2004 (unaudited) and as at and for the year ended December 31, 2003 (audited), converted to US \$ at the period end rate of exchange, is as follows:

	<u>2004</u>	<u>2003</u>
Assets		
Current assets	\$ 22,796	\$ 59,689
Investment	1,044,614	1,016,542
Mineral properties	375,702	358,309
Deferred pre-operating costs	18,048	17,340
Property, plant and equipment	32,713	57,879
	<u>1,493,873</u>	<u>1,509,759</u>
Liabilities	<u>82,113</u>	<u>378,921</u>
Net Equity	<u>\$ 1,411,760</u>	<u>\$ 1,130,838</u>
Income Statement		
Revenue	\$ -	\$ 2
Expenses	(158,334)	(340,649)
Write-off of mineral claims	-	(3,169)
Net Loss	<u>\$ (158,334)</u>	<u>\$ (343,816)</u>

4. Property, Plant and Equipment

As at September 30, 2004	Cost	Accumulated Amortization	Net Book Value
Office furniture and fixtures	\$ 18,254	\$ 13,031	\$ 5,223
Office equipment	240,592	83,962	156,630
Vehicle	191,343	14,161	177,182
Communication equipment	27,731	-	27,731
Field camps	35,584	-	35,584
Surveying	24,012	-	24,012
Leasehold improvement	105,746	84,597	21,149
	<u>\$ 643,262</u>	<u>\$ 195,751</u>	<u>\$ 447,511</u>

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)
(Unaudited)

September 30, 2004

4. Property, Plant and Equipment (continued)

As at December 31, 2003	Cost	Accumulated Amortization	Net Book Value
Office furniture and fixtures	\$ 18,254	\$ 12,162	\$ 6,092
Office equipment	114,390	59,235	55,155
Vehicle	47,145	2,947	44,198
Leasehold improvement	105,746	68,735	37,011
	<u>\$ 285,535</u>	<u>\$ 143,079</u>	<u>\$ 142,456</u>

5. Deferred Exploration Expenditures

Deferred Exploration

	Nine month period ended September 30, 2004	Cumulative from inception in April 1994 to September 30, 2004
Exploration cost	\$ 996,225	\$ 17,472,396
Stock option compensation expense	159,869	159,869
Amortization	16,172	51,622
Net expenditure	<u>1,172,266</u>	17,683,887
Effect of exchange rate change	-	2,511
	<u>1,172,266</u>	17,686,398
Write-off	-	(16,191,442)
Balance, end of period	<u>\$ 1,172,266</u>	<u>\$ 1,494,956</u>

Mineral rights

	2004	Cumulative from inception in April 1994
Mineral rights	\$ -	\$ 9,681,194
Write-off	-	(9,681,194)
Balance, end of period	<u>\$ -</u>	<u>\$ -</u>

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)
(Unaudited)

September 30, 2004

6. Share Capital

(a) Authorized Share Capital

Unlimited number of common shares
Unlimited number of preference shares, issuable in series

(b) Issued Share Capital - Common Shares

	<u>As at September 30, 2004</u>		<u>As at December 31, 2003</u>	
	<u>Number of Shares</u>	<u>Amount</u>	<u>Number of Shares</u>	<u>Amount</u>
Balance –				
Beginning of period	10,427,844	\$ 39,469,888	9,886,594	\$ 39,173,793
Exercise of stock options	485,000	273,192	41,250	23,017
Exercise of warrants	350,000	286,048	500,000	273,078
Issued during the period	2,000,000	11,314,909	-	-
Balance – End of period	13,262,844	\$ 51,344,037	10,427,844	\$ 39,469,888

On March 30, 2004, the Company completed a private placement (the "Offering") of 2,000,000 common shares at Cdn. \$8.00 per share for gross proceeds of Cdn. \$16,000,000 (US\$ 11,979,203). The net proceeds of the financing will be used to advance the Company's projects in the Congo located within the Twangiza – Namoya gold belt and for general corporate purposes.

Kingsdale Capital Markets Inc. and Kingsdale Capital Partners Inc. (collectively, the "Agent") acted as the Company's agent in connection with the Offering. In consideration for its services, the Company paid to the Agent a cash fee equal to 6% of the gross proceeds of the Offering and issued to the Agent 120,000 broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder thereof to purchase one common share of the Company at a price of \$8.00 per share for a period of one year.

(c) Warrants

The following table summarizes information about warrants outstanding and exercisable at September 30, 2004:

<u>Date of Grant</u>	<u>Number Outstanding</u>	<u>Exercise price Cdn \$</u>	<u>Expiry Date</u>
03/30/04	120,000	8.00	3/29/05
	120,000		

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)
(Unaudited)

September 30, 2004

6. Share Capital (Continued)

(d) Stock Options

The Company has an incentive Stock Option Plan under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company to a maximum of 3,100,000 common shares. As at September 30, 2004, the number of stock options still available to be granted under this Stock Option Plan was 678,500.

Under this Stock Option Plan, options vest 25% immediately at grant date and 25% on each of the three consecutive six-month periods subsequent to the issuance. As at September 30, 2004, the Company had 1,856,500 stock options outstanding to acquire common shares at a weighted-average price of Cdn. \$5.89 per share, expiring at various dates between October 2004 and August 2009.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2004:

Options outstanding and exercisable							
Date of grant	Number outstanding at 12/31/03	Options granted during the period	Options Exercised, Expired or Forfeited	Number outstanding at 09/30/04	Options Exercisable at 09/30/04	Exercise price Cdn \$	Expiry date
01/31/01	375,000	-	375,000	-	-	0.60	01/31/04
01/31/01	20,000	-	20,000	-	-	1.00	01/31/04
10/12/01	40,000	-	40,000	-	-	0.60	10/12/04
01/08/02	183,000	-	15,000	168,000	168,000	0.80	01/08/07
04/03/02	25,000	-	25,000	-	-	1.70	04/03/04
04/26/02	10,000	-	10,000	-	-	3.30	04/26/04
10/16/03	168,500	-	-	168,500	84,250	4.00	10/16/08
10/16/03	60,000	-	-	60,000	30,000	4.00	10/16/06
10/29/03	100,000	-	-	100,000	50,000	4.11	10/29/08
10/29/03	100,000	-	-	100,000	50,000	4.11	10/29/06
01/21/04	-	400,000	-	400,000	200,000	6.00	01/21/09
02/03/04	-	50,000	-	50,000	25,000	6.00	02/03/09
02/17/04	-	150,000	-	150,000	75,000	7.00	02/17/09
03/16/04	-	200,000	-	200,000	100,000	8.20	03/16/09
06/24/04	-	420,000	-	420,000	105,000	8.00	06/22/09
08/31/04	-	40,000	-	40,000	10,000	8.00	08/31/09
	1,081,500	1,260,000	485,000	1,856,500	897,250		

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)
(Unaudited)

September 30, 2004

6. Share Capital (Continued)

(d) Stock Options (continued)

2003

As at December 31, 2003, the weighted average grant-date fair value of 158,625 vested stock options granted to employees, directors and officers was \$378,724. This amount was recognized in the income statement as an expense and was credited accordingly to contributed surplus in the balance sheet.

During the year ended December 31, 2003, a total of 72,500 stock options previously issued to consultants and other service providers vested. The weighted average grant-date fair value of these vested stock options was \$93,474. This amount was recognized in the income statement as an expense and was credited accordingly to options in the balance sheet. During 2003 a total of 50,000 options previously granted to consultants were cancelled. Accordingly an amount of \$16,986 relating to these options was transferred to contributed surplus.

2004

During the nine month period ended September 30, 2004, the Company recognized in the income statement as an expense \$1,298,371 representing the weighted average grant-date fair value of stock options granted to employees, directors and officers under the Company's stock option plan. In addition, an amount of \$159,869 related to stock options issued to employees of the Company's subsidiaries in the Congo was capitalized as deferred exploration expenditures. These amounts were credited accordingly to contributed surplus in the balance sheet.

The Black-Scholes option-pricing model was used to estimate values of all stock options granted during the year based on the following weighted average information:

- (i) risk-free interest rate: 2.48% (2003 – 2.54%)
- (ii) expected volatility: 96.48% (2003 – 118%)
- (iii) expected life: 5 years (2003 – 3.74 years)
- (iv) expected dividends: \$Nil (2003 - \$Nil)

(e) Earnings (Loss) per Share

Earnings (loss) per share was calculated on the basis of the weighted average number of common shares outstanding for the nine month period ended September 30, 2004, amounting to 12,456,786 (September 30, 2003 – 9,886,594) common shares.

Fully diluted earnings (loss) per share have not been presented since the exercise of the options and warrants would be anti-dilutive.

Banro Corporation
Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)
(Unaudited)

September 30, 2004

(f) Contributed Surplus

	As at September 30, 2004	As at Dec. 31, 2003
Stock option compensation	\$ 1,960,254	\$ 502,014

7. Related Party Transactions

Management fees of \$Nil (September 30, 2003 - \$30,716) were paid to directors of the Company during the nine month period ended September 30, 2004.

During the quarter ended September 30, 2004, an amount of \$28,148 was due from a corporation wholly-owned by a director of the Company relating to common general expenses.

Legal fees of \$212,377 (September 30, 2003 - \$29,535) were paid during the nine month period ended September 30, 2004 to a law firm of which two partners are also directors of the Company.

These transactions are in the normal course of operations and are measured at the exchange value.

8. Segmented Reporting

The Company has one operating segment: the acquisition, exploration and development of precious metal projects located principally in the Congo.

Geographic segmentation of capital assets and deferred exploration costs is as follows:

	As at September 30, 2004	As at December 31, 2003
Congo – deferred exploration costs	\$ 1,494,956	\$ 322,690
Congo – capital assets	366,360	68,983
Canada – capital assets	81,151	73,473
	\$ 1,942,467	\$ 465,146

9. Comparative figures

Certain of the prior period's amounts have been reclassified to conform to the current period's presentation.

Form 51-102F1

BANRO CORPORATION INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS - THIRD QUARTER 2004

The following management's discussion and analysis ("**MD&A**") provides a review of the activities, results of operations and financial condition of Banro Corporation (the "**Company**") for the three and nine month periods ended September 30, 2004, as well as future prospects of the Company. This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Company as at and for the three and nine month periods ended September 30, 2004, together with the MD&A and audited consolidated financial statements of the Company as at and for the year ended December 31, 2003. As the Company's financial statements are prepared in United States dollars, all dollar amounts in this MD&A are expressed in United States dollars unless otherwise specified. Additional information relating to the Company is available on SEDAR at www.sedar.com. This MD&A is dated November 25, 2004.

General

During the third quarter of 2004 the Company produced a 2004 and 2005 business plan and a \$15.6 million budget which sets out the Company's proposed operational objectives for the next 18 months commencing in August 2004. As previously announced in the Company's second quarter MD&A report, the Company has now completed the recruitment of exploration geologists and administrative staff and has established a regional office in the United Kingdom and an exploration office in Bukavu in eastern Democratic Republic of the Congo ("**DRC**"). Field equipment for the proposed exploration program has been purchased and field camps are being established at the Namoya and Lugushwa projects. It is expected that exploration will commence at the Namoya project site during the fourth quarter of 2004 and will consist of grid establishment, soil sampling, adit and trench sampling, geological mapping and geochemical analysis of soil and rock samples. It is expected that exploration will commence at Lugushwa in January 2005. At Twangiza, a camp establishment has been temporarily postponed at the request of DRC government officials until the repatriation of local militia has been undertaken to the north of Twangiza.

Results of Operations

For the nine month period ended September 30, 2004, the Company reported a net loss of \$2,317,910, or \$0.19 per share, compared to a net loss of \$311,254, or \$0.03 per share, reported for the nine month period ended September 30, 2003. For the three month period ended September 30, 2004, the Company's net loss was \$497,183, or \$0.03 per share, compared to a net loss of \$243,720, or \$0.02 per share, recorded during the three month period ended September 30, 2003. The Company's losses during the first three quarters of 2004 were most significantly impacted by the recording of employee stock compensation expense pursuant to the adoption by the Company in fiscal 2003 of the fair value method of accounting for stock options granted to employees, directors and officers (this expense was \$501,498 for the three month period ended September 30, 2004 and \$1,298,371 for the nine month period ended September 30, 2004). In addition, compared to the three and nine month periods ended September 30, 2003, notable increases occurred in the corresponding periods in 2004 in almost all the expense categories, except consulting fees. These increases were due to the resumption of the Company's activities in the DRC. Consulting fees paid during the nine month period ended September 30, 2004 decreased to \$34,338, compared to \$196,942 incurred during the

same period of 2003 primarily in connection with the negotiations with the government of the DRC regarding the return of the Company's gold properties in the DRC.

The Company's results during the three and nine month periods ended September 30, 2004 were also largely impacted by foreign exchange gains resulting from fluctuations in the value of the U.S. dollar relative to the Canadian dollar. These gains were \$422,761 for the three month period ended September 30, 2004 compared to a loss of \$3,081 for the corresponding period in 2003 and a gain of \$177,475 for the nine month period ended September 30, 2004, compared to a gain of \$271,762 for the same period in 2003. During the nine month period ended September 30, 2003, the Company recovered legal fees of \$361,457 (compared to \$23,398 in 2004) in relation to a successful legal case as discussed in note 10 of the audited consolidated financial statements of the Company for the year ended December 31, 2003.

Summary of Quarterly Results

The following table sets out certain unaudited consolidated financial information of the Company for each of the last eight quarters, beginning with the third quarter of 2004. This financial information has been prepared in accordance with Canadian generally accepted accounting principles.

	2004	2004	2004	2003
	3rd quarter	2nd quarter	1st quarter	4th quarter
Net loss	\$ (497,183)	\$ (1,052,380)	\$ (768,346)	\$ (549,728)
Net loss per share	\$ (0.04)	\$ (0.08)	\$ (0.07)	\$ (0.06)
	2003	2003	2003	2002
	3rd quarter	2nd quarter	1st quarter	4th quarter
Net income (loss)	\$ (243,720)	\$ (245,271)	\$ 177,737	\$ (478,824)
Net income (loss) per share	\$ (0.02)	\$ (0.02)	\$ 0.01	\$ (0.05)

While operating expenses in general increased by 11.68% during the third quarter 2004 compared to the second quarter 2004, the net loss recorded in the third quarter of 2004 decreased significantly due mainly to foreign exchange gain of \$422,761 as explained above. The increase in the second quarter of 2004 in the Company's net loss, compared to the first quarter of 2004, was also mostly impacted by a foreign exchange loss of \$229,053 incurred during the second quarter of 2004, compared to \$16,232 recorded during the first quarter of 2004. The net loss recorded in the first quarter of 2004, compared to the fourth quarter of 2003, increased due to a general increase in operating expenses as a result of the resumption of the Company's activities in the DRC. Results for the fourth quarter of 2003 were impacted by the prospective adoption by the Company of stock-based compensation to employees, directors and officers which was only recognized at December 31, 2003. This resulted in an additional expense during the fourth quarter of 2003 in the amount of \$378,724. The net income recorded in the first quarter of 2003 was related to a foreign exchange gain and the recovery of legal fees, as referred to above.

Liquidity and Capital Resources

The Company does not currently generate revenues and relies primarily on equity financings to fund its activities. This exposes the Company to market risks, in addition to the risks associated with the Company's properties being located in the DRC and the risks associated with the resource exploration industry generally.

As at September 30, 2004, the Company had working capital of \$10,554,249 compared to working capital of \$961,068 as at December 31, 2003. The Company's working capital position is mostly comprised of cash raised during the first quarter of 2004 from the exercise of 440,000 stock options and 350,000 common share purchase warrants and from a private placement of 2,000,000 common shares. During the third quarter of 2004 the exercise of 45,000 stock options provided an additional \$23,494 to the Company's working capital. The Company's current cash position is considered sufficient for planned exploration expenditures on the Company's Twangiza-Namoya gold belt and for general and administrative expenses for the next 12 months.

Currently, the Company has no significant long term contractual obligations and no long term debt.

Deferred Exploration Expenditures

The following table provides a breakdown of the Company's deferred exploration expenditures on a property-by-property basis during the nine month period ended September 30, 2004:

	<u>Banro Congo</u>	<u>Kamituga</u>	<u>Lugushwa</u>	<u>Namoya</u>	<u>Twangiza</u>	<u>Total</u>
Balance 12/31/2003	\$ 273,960	\$ -	\$ -	\$ -	\$ 48,730	\$ 322,690
Administrative and office support	268,807	20,563	14,075	15,375	7,398	326,218
Salaries and stock compensation	109,987	46,409	66,200	66,201	94,617	383,414
Travel	113,463	4,430	9,318	9,318	13,287	149,816
Consulting and professional fees	154,798	10,014	10,014	10,014	55,932	240,772
Field camps	-	-	16,762	16,763	22,349	55,874
Depreciation	16,172	-	-	-	-	16,172
Balance 09/30/2004	\$ 937,187	\$ 81,416	\$ 116,369	\$ 117,671	\$ 242,313	\$ 1,494,956

Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series. As at November 25, 2004, the Company had outstanding: (a) 13,282,844 common shares; (b) warrants to purchase 120,000 common shares; and (c) stock options to purchase 1,856,500 common shares.