

NOTICE TO SHAREHOLDERS FOR THE NINE MONTHS ENDED JULY 31, 2005

PACIFIC COMOX RESOURCES LTD.

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for Pacific Comox Resources Ltd. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the October 31, 2004 audited consolidated financial statements. Only changes in accounting information have been disclosed in these consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Corporation is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

Disclosure Required Under National Instrument 51-102 - "Continuous Disclosure Obligations" - Part 4.3(3)(a)

The auditor of Pacific Comox Resources Ltd. has not performed a review of the unaudited consolidated financial statements for the nine months ended July 31, 2005 and July 31, 2004.

PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Consolidated Balance Sheets

	July 31, 2005 (Unaudited)	October 31, 2004 (Audited)
Assets		
Current assets:		
Cash	\$ 188,344	\$ 62,915
Accounts receivable	5,695	9,135
Advances and prepaid expenses	50,229	492
	<u>244,268</u>	<u>72,542</u>
Due from related party (note 3)	159,304	138,367
Mineral properties and intangible assets (note 5)	1,610,351	1,496,251
Capital assets (note 4)	3,146	4,059
	<u>\$ 2,017,069</u>	<u>\$ 1,711,219</u>

Liabilities and Shareholders' Equity (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities	\$ 123,705	\$ 143,722
Due to a shareholder and officer (note 3)	62,033	118,213
	<u>185,738</u>	<u>261,935</u>
Shares to be issued	-	75,000
Shareholders' equity (deficiency):		
Share capital (note 8)	13,800,076	13,226,763
Warrants (note 8(j))	101,287	101,287
Contributed Surplus (Note 8(k))	91,500	-
Deficit	(12,161,532)	(11,953,766)
	<u>1,831,331</u>	<u>1,374,284</u>
Going concern basis		
Commitments (note 1)		
	<u>\$ 2,017,069</u>	<u>\$ 1,711,219</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Marvin Wolff" _____ Director

"Donald Empey" _____ Director

PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Consolidated Statement Of Operations and Deficit (Unaudited)

	9 Months to July 31 2005	9 Months to July 31 2004	3 Months to July 31 2005	3 Months to July 31 2004
Expenses				
Administration & operations	115,467	152,917	36,897	54,244
Interest, net	799	1,593	164	478
	-	-	-	-
Net income (loss) for the period	<u>(116,266)</u>	<u>(154,510)</u>	<u>(37,061)</u>	<u>(54,722)</u>
Deficit, beginning of period	(11,953,766)	(11,710,755)	(12,032,971)	(11,810,543)
Fair value of stock options granted - Cumulative adjustment at November 1, 2004 (Note 8(k))	(91,500)	-	(91,500)	-
Deficit, end of period	<u><u>\$(12,161,532)</u></u>	<u><u>\$(11,865,265)</u></u>	<u><u>\$(12,161,532)</u></u>	<u><u>\$(11,865,265)</u></u>
Loss per share	<u>\$ (0.002)</u>	<u>\$ (0.003)</u>	<u>\$ (0.001)</u>	<u>\$ (0.001)</u>

PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Unaudited Consolidated Statements of Cash Flows

Consolidated Statement of Cash Flows

(Unaudited)

	9 Months to July 31 2005	9 Months to July 31 2004	3 Months to July 31 2005	3 Months to July 31 2004
Cash provided by (used in)				
Operating activities:				
Net loss for the period	\$ (116,266)	\$ (154,510)	\$ (37,061)	\$ (54,722)
Items not affecting cash:				
Amortization	913	1,305	305	435
	<u>(115,353)</u>	<u>(153,205)</u>	<u>(36,756)</u>	<u>(54,287)</u>
Change in non-cash components of working capital	<u>(66,314)</u>	<u>(22,938)</u>	<u>(40,368)</u>	<u>(53)</u>
	<u>(181,667)</u>	<u>(176,143)</u>	<u>(77,124)</u>	<u>(54,340)</u>
Financing activities:				
Issuance of share capital	573,313	500,000	273,313	-
Due to shareholder and officer	(56,180)	44,636	-	(2,291)
Shares to be issued (net of cash in escrow)	(75,000)	176,000	-	126,000
	<u>442,133</u>	<u>720,636</u>	<u>273,313</u>	<u>123,709</u>
Investing activities:				
Purchase of capital assets	-	-	-	-
Deferred exploration expenditures (note 5)	(114,100)	(542,583)	(14,686)	(77,491)
Due from related party	(20,937)	(41,818)	(11,909)	(12,710)
	<u>(135,037)</u>	<u>(584,401)</u>	<u>(26,595)</u>	<u>(90,201)</u>
Increase(decrease) in cash	125,429	(39,908)	169,594	(20,832)
Cash, beginning of period	62,915	45,809	18,750	26,733
Cash, end of period	<u>\$ 188,344</u>	<u>\$ 5,901</u>	<u>\$ 188,344</u>	<u>\$ 5,901</u>

See accompanying notes to consolidated financial statements.

PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Notes to Consolidated Financial Statements

Nine months ended July 31, 2005 and 2004

Pacific Comox Resources Ltd. (the "Company") was incorporated to seek mineral exploration and development opportunities. The Company is in the process of exploring its mineral properties located in Mexico, Chile and Canada and has not yet determined whether these properties contain mineralization that is economically recoverable. The recoverability of amounts shown on mineral properties and intangible assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or the proceeds from the disposition thereof. To date, the Company has not earned significant revenue from any of its activities and is considered to be in the development stage.

1. Going concern basis:

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has no source of operating cash flow and its ability to continue as a going concern is dependent on the continuing financial support of its shareholders and other related parties. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Summary of significant accounting policies:

(a) Basis of consolidation:

The unaudited consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. These unaudited consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the fiscal year ended October 31, 2004. The disclosures provided below are incremental to those included with the audited annual consolidated financial statements. These unaudited consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes for the year ended October 31, 2004.

The consolidated financial statements include the accounts of the Company's wholly owned subsidiary in Mexico, Pacific Comox S.A. de C.V. All intercompany balances and transactions have been eliminated.

(b) Mineral properties and intangible assets:

Mineral properties represent the cost of acquired mineral claims and deferred exploration and development activity. Where the Company has not yet acquired the mineral rights these are recorded as intangible assets. Expenditures are capitalized on an area-of-interest basis and include direct costs of obtaining, maintaining and exploring properties, the costs of structures and equipment which are employed directly in the exploration process and other direct costs related to specific properties. All other costs, including administrative overhead, are expensed as incurred.

3. Related party transactions:

Amounts due to/from related parties are as follows:

	July 31, 2005	October 31, 2004
Due to a shareholder and officer	\$ 62,033	\$ 118,213
Investment in a corporation under common management	159,304	138,367

The amount due to a shareholder and officer represent amounts advanced which are non-interest bearing and due on demand.

The investment in a corporation under common management represents amounts invested. While management believes that the amount is not impaired, there can be no assurance that the full amount will be recovered.

Amounts recorded during the year are as follows:

	July 31, 2005	July 31, 2004
Rent paid to a corporation under common management	\$ 8,179	\$ 7,577
Consulting fees to an officer of the Company	22,500	22,500

Transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. Capital assets:

	July 31, 2005		October 31, 2004	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer equipment	\$ 6,823	\$ 3,677	\$ 3,146	\$ 4,059

5. Mineral properties and intangible assets:

On July 1, 2002, the Company entered into an agreement with respect of certain exploration properties in Mexico, whereby the Company will acquire a 100% interest in the properties over a five-year period, for an aggregate purchase price payable as follows:

(a) A total cash payment of U.S. \$386,000 payable:

- (i) Year one - U.S. \$20,000, which has been paid;
- (ii) Year two - U.S. \$60,000, which has been paid; and
- (iii) Years three, four and five - U.S. \$102,000 per year, payable either in monthly payments of U.S. \$8,500 or quarterly payments of U.S. \$25,500. U.S. \$76,500 has been paid through January 31, 2005 in respect of year three.

(b) Subject to regulatory approval and conditions, issue a total of 3,500,000 shares of the Company to the vendors, in a five-year period; respectively, 250,000 shares in each of years one and two, 500,000 shares in year three, 1,000,000 shares in year four and 1,500,000 shares in year five. In June 2004, a total of 500,000 shares were issued valued at \$0.08 per share; and

(c) A total work commitment of U.S. \$2,300,000, to be spent on the properties in the five-year period; respectively, U.S. \$75,000 in year one, U.S. \$200,000 in year two, U.S. \$500,000 in each of the years three and four and U.S. \$1,000,000 in year five. As of December 31, 2004, the Company met the requirements for the first two years ended June 30, 2004.

Failure to comply with the above conditions may cause the Company to lose all the rights under the agreement (subject to a six-month default notice by the vendors).

The properties are also subject to a net smelter royalty of 3% rising to 3.5% for periods in which the gold price exceeds U.S. \$350 per ounce and to 4.0% for periods in which the gold price exceeds U.S. \$400 per ounce. The Company has the right to purchase (during the term of the agreement and for two years after the commencement of the commercial production) 50% of the net smelter royalty for U.S. \$4,500,000.

On November 10, 2004 the Company entered into a Letter Of Intent to option the "Pepa de Oro" property in Chile. In February, 2005 the Company paid US\$20,000 to the Vendor and has the right to explore the property to November 10, 2005.

On March 16, 2005, the Company acquired a two year option to purchase the Ryan Lake copper-molybdenum property which consists of 10 claims totalling 513 acres located near Matachewan, Ontario. To acquire a 100% interest in the mining rights of the property, the Company would make cash payments of \$600,000, issue 2,000,000 common shares and fulfill a \$300,000 work commitment over a two year period. The Vendors retain a 1% NSR and the Company may purchase 50% of the NSR for \$1,000,000 in the period expiring 2 years after commercial production is attained. The Company also has a two year option to acquire the mill building on the property and certain equipment for \$100,000.

Expenditures relating to the Company's properties are as follows:

	<u>Mexico</u>	<u>Chile</u>	<u>Ontario</u>	<u>Total</u>
Balance, October 31, 2004	\$1,496,251	-	-	\$1,496,251
Acquisition costs	33,193	25,648	-	58,841
Deferred exploration costs	25,601	25,724	3,934	55,259
Balance, July 31, 2005	<u>\$1,555,045</u>	<u>\$51,372</u>	<u>\$3,934</u>	<u>\$1,610,351</u>

6. Income taxes:

The provision for (recovery of) income taxes varies from the amounts that would be computed by applying the combined Canadian federal and provincial statutory rate of 36.12% (2003 - 36.5%) to income before income taxes as follows:

	October 31 2004	October 31 2003
Expected income taxes (recovery) using statutory income tax rate	\$ (87,000)	\$ 63,000
Tax benefit of losses (gains) not previously recognized	87,000	(63,000)
Balance	<u>\$ -</u>	<u>\$ -</u>

The tax effects of temporary differences that give rise to significant portions of the future tax liabilities at October 31, 2004 and 2003 are as follows:

	October 31 2004	October 31 2003
Canada:		
Capital assets	\$ 14,000	\$ -
Non-capital losses	408,000	385,000
Resource pools	905,000	990,000
Unrealized capital losses	1,200,000	1,100,000
Valuation allowance	<u>(2,527,000)</u>	<u>(2,475,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

At October 31, 2004, the Company has non-capital loss carryforwards of approximately \$1,117,000 available to reduce taxable income in future years. These losses expire through 2011. The benefit of these non-capital loss carryforwards has not been recognized in the financial statements.

7. Financial instruments:

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and due to a shareholder and officer approximate fair values due to the short-term maturities of these instruments.

8. Share capital:

(a) The Company's authorized share capital consists of 200,000,000 common shares without par value. Details of shares issued during 2004 and 2005 are as follows:

	Number	Amount
Balance, October 31, 2003	55,319,726	12,466,050
Issued on completion of private placements	7,533,166	715,253
Issued to acquire mineral claims (note 5(b))	500,000	40,000
Issued on exercise of warrants	200,000	28,000
Issue costs	-	<u>(22,540)</u>
Balance, October 31, 2004	63,552,892	\$ 13,226,763
Issued on completion of private placements	10,138,365	634,747
Issue costs	-	<u>(61,434)</u>
Balance, July 31, 2005	<u>73,691,257</u>	<u>\$13,800,076</u>

(b) In December 2002, the Company completed two private placements and raised \$165,000.

(i) A total of \$100,000 was raised through the issuance of 2,000,000 units priced at \$0.05, consisting of one common share and one-half of a common share purchase warrant exercisable at \$0.10 per share until November 3, 2003. The net proceeds of \$100,000 were allocated \$60,000 to common shares and \$40,000 to warrants. 120,000 of the warrants were exercised on October 30, 2003 for proceeds of \$12,000 and consequently \$4,800 was reclassified from warrants to share capital. A further 200,000 of warrants were exercised on November 3, 2003 for proceeds of \$20,000 and consequently \$8,000 was reclassified from warrants to share capital. The remaining warrants expired unexercised.

(ii) A total of \$65,000 was raised through 650,000 units priced at \$0.10, consisting of one common share and one common share purchase warrant exercisable until November 3, 2003 at \$0.15 per share. An officer of the Company participated for \$50,000. No value was assigned to warrants due to immateriality. The warrants expired unexercised during the year.

(c) In June 2003, the Company raised \$425,000 through 4,250,000 units priced at \$0.10 consisting of one common share and one-half of a common share purchase warrant exercisable until May 26, 2004. Each warrant was exercisable at \$0.15 per share. Three directors of the Company subscribed for a total of \$187,000 of the financing and hold 935,000 of the warrants. A finder's fee of 7% was paid in the current year on \$50,000 of the total financing in shares of the Company valued at \$0.10 per share. The net proceeds of \$425,000 were allocated \$408,200 to common shares and \$16,800 to warrants. The warrants expired unexercised during the year.

(d) On February 10, 2004, the Company completed and received approval from the TSX, for a number of private placements and raised \$500,000 through 4,166,666 units priced at \$0.12 per unit. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.20 until February 2005. A director of the Company subscribed for \$322,000 of the financing. A finder's fee of 7% was paid on \$138,000 of the total financing in shares of the Company valued at \$0.12 per share. The fee was settled by issuing 80,500 common shares. \$0.01 was assigned to the warrants.

(e) On August 24, 2004, the Company completed and received approval from the TSX for a number of private placements and raised \$250,000 through 3,125,000 units priced at \$0.08. Each unit consists of one common share and one-half common share purchase warrant exercisable at \$0.12 until August 2006. A director of the Company subscribed for \$50,000 of the financing. A finder's fee of 7% was paid on \$184,000 of the total financing in shares of the Company valued at \$0.08 per share. The fee was settled by issuing 161,000 common shares. \$0.01 value was assigned to the warrants.

(f) On November 30, 2004, the Company completed and received TSX approval on a private placement of \$100,000. The financing is in the form of units, with a total of 1,250,000 units priced at \$0.08 per unit, consisting of one common share and one common share purchase warrant exercisable at \$0.12 to November 28, 2006. A director of the Company subscribed for the entire \$100,000, and this amount was received as at October 31, 2004. A finder's fee of 10% was paid on \$57,800 of the total financing in shares of the Company valued at \$0.08 per share.

(g) On March 17, 2005 the Company completed and received TSX approval on a private placement of \$200,000. The financing is in the form of units, with a total of 3,333,333 units priced at \$0.06 per unit consisting of one common share and one common share purchase warrant exercisable at \$0.10 to February 22, 2007. A director of the Company is subscribing for \$116,550. A finder's fee of 10% was paid on the financing in shares of the Company valued at \$0.06 per share.

(h) On June 6, 2005 completed and received TSX approval on a private placement of \$316,642. The financing consists of 3,732,600 Flow-Through Units and 1,544,766 Common Share Units. Each Flow-Through Unit consists of one flow-through common share and one-half of one common share purchase warrant (a "Warrant"), with a full Warrant entitling the holder to purchase one additional common share of the Company ("Warrant Shares") at an exercise price of C\$0.10 per Warrant Share expiring December 22, 2006. Each Common Share Unit consists of one common share and one common share purchase warrant (a "Warrant"), with a Warrant entitling the holder to purchase one additional common share of the Company ("Warrant Shares") at an exercise price of C\$0.10 per Warrant Share expiring December 22, 2006

The Agent to the private placement received a cash commission of \$25,331 equal to 8% of the gross proceeds and 527,737 Broker Warrants entitling the Agent to acquire Common Share Units at a price of C0.10 per Unit expiring December 22, 2006. In addition the Company incurred legal costs in the amount of \$ 17,998 for total share issue costs of \$43,329.

(i) Under the Employee Stock Option Plan, approved in April 10, 2003, the Company may grant options for up to 10% of the outstanding shares of common stock. Options may be granted to any director, officer, employee or consultant of the Company or any of its subsidiaries. Options granted to directors, officers and employees vest immediately. If the optionee is a consultant or providing investor relations services to the Company, the options must vest in stages over 12 months, with no more than one quarter of the options vesting in any three month period. The number of shares reserved for issuance to any one optionee pursuant to options cannot exceed 5% (2% if the optionee is engaged in providing investor relation services to the Company or is a consultant) of the issued and outstanding common shares of the Company at the date of grant of such options. The exercise price of each option cannot be less than the fair market value of the shares on the last trading day preceding the date of the grant. The maximum term of an option is five years.

The movements in the Company's stock option plan and those outstanding at July 31, 2005 are summarized below:

	Number	Average Exercise Price
Options outstanding, October 31, 2003	3,300,000	\$ 0.12
Issued to employees	-	-
Issued to consultant	-	-
Options outstanding, October 31, 2004 and July 31, 2005	<u>3,300,000</u>	<u>0.12</u>

The options outstanding at July 31, 2005 expire on May 27, 2008.

(j) Warrants

	Number	Average Exercise Price	Amount
Warrants outstanding, October 31, 2003 Issued on Private placements	3,655,000	0.14	\$52,000
Exercised	5,729,167	0.18	57,287
Expired during the year	(200,000)	0.10	(8,000)
	<u>(3,455,000)</u>	<u>(0.14)</u>	<u>-</u>
Warrants outstanding, October 31, 2004	5,729,167	0.18	101,287
Issued on private placements	<u>7,994,399</u>	<u>0.08</u>	<u>-</u>
Warrants outstanding on July 31, 2005	<u>13,723,566</u>	<u>0.12</u>	<u>\$101,287</u>

(k) Stock-based compensation:

Effective November 1, 2004, the Company adopted the revised CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-based Payments" which requires the application of a fair value method of accounting to all stock-based compensation payments to employees. Under this method, the Company is required to recognize a charge to the income statement based on an option-pricing model for all stock options that were granted and vested in the period, with a corresponding credit to Contributed Surplus under the Shareholders' Equity section of the Balance Sheet. In accordance with the transitional provisions of Section 3870, the Company has retroactively applied the fair value method of accounting, without restatement, to stock option awards granted since November 1, 2002 using the Black-Scholes option pricing model. An adjustment to the opening deficit at November 1, 2004 in the amount of \$91,500 has been recorded representing the total stock-based compensation expense had the fair value method been used for employee stock options granted after November 1, 2002. The offset to deficit is an increase in contributed surplus in the amount of \$91,500 resulting in no net change to shareholders' equity.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility.