

FREEWEST RESOURCES CANADA INC.
INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED JULY 31, 2005

STATEMENT CONCERNING THE INTERIM FINANCIAL STATEMENTS

Management has compiled the unaudited interim financial statements as at July 31, 2005 and for the three-month and nine-month periods ended July 31, 2005 and 2004. The statements have not been audited or reviewed by the company's auditors or any other firm of chartered accountants.

MANAGEMENT'S DISCUSSION AND ANALYSIS AS AT SEPTEMBER 23, 2005

The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of Freewest Resources Canada Inc. ("Freewest" or the "Corporation") for the three-month and nine-month periods ended July 31, 2005 and 2004 should be read in conjunction with the Company's audited financial statements and the related notes. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

FORWARD LOOKING STATEMENTS

Except for historical information, this contains forward-looking statements relating to, among other things, regulatory compliance, and the sufficiency of current working capital, the estimated cost and availability of funding for the acquisition of properties and the continued exploration and development thereof. Such statements reflect current views of Freewest with respect to future events and are subject to certain risks, uncertainties and assumptions. Estimates provided for fiscal 2005 and beyond are based on assumptions of future events and actual results could vary significantly from these estimates. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the company.

OVERVIEW

Freewest is a Canadian exploration company that focuses on grass roots exploration mainly in Eastern Canada. Freewest has a reputation within the Industry of acquiring properties located in good geological settings, with the potential to host large ore bodies. Management is a strong believer in working with prospectors who continue to offer the Company a good selection of early stage prospects. The Company's management team has a proven track record of being involved in a number of gold and base metal discoveries over the past 36 years. Freewest's exploration strategy involves combining prospecting and geological expertise with the use of modern geophysical and geochemical techniques to search for buried ore deposits. The Company is also a strong believer in conducting exploration through joint ventures with larger mining firms to share the risks and benefits of the firm's expertise in mine development and production.

The Company's shares are listed for trading on the TSX Venture Exchange under the trading symbol FWR. Additional information Freewest can be found on Sedar (www.sedar.com) and on Freewest's web site (www.freewest.com).

MINING PROPERTIES

QUEBEC

THE BARRY-URBAN PROJECTS

The Barry – Urban gold project is currently comprised of three properties known as:

1. Windfall
2. Barry
3. Eagle River

The Greenshield Property, consisting of 49 claims covering 735 ha, optioned from Greenshield Resources Inc. was dropped in September 2005.

This exploration project is generating significant interest due to new recent discoveries made by the FWR-MUG joint-venture (50% each). The partners hold the largest prospective land position in the Barry-Urban greenstone belt, totaling some 238 square kilometres.

WINDFALL

The Windfall property is the major focus of exploration and comprises 213 mining claims comprising 8995 hectares. In 2005, an extensive exploration program culminated with a 10,395 metre drilling program that outlined three (3) new gold mineralized zones.

GOLD ZONE F-17:

Gold Zone F-17 has known strike length of at least 300 metres and a width of up to 50 metres. The thicknesses of the mineralized zones vary from 4 to 10 meters with economic grades between ~8.9 g/t Au and 16.5 g/t Au. The mineralization consists of at least three (3) large, sub-horizontal auriferous structures believed to be extensional in nature and associated with a sub-vertical shear zone that is also auriferous. The veins consist of banded or brecciated quartz-tourmaline-sericite that are locally stacked. To date a total of 21 holes have been drilled on Gold Zone F-17 for a total of 2,559 metres. To date, more than 47% of the drill holes on the zone have intersected gold mineralization deemed as “economic”.

DDH	BEST RESULT
04-06	2.31 g/t Au over 15.0 m incl. 5.12 g/t Au over 4.7 m
05-19	59.07 g/t Au over 1.0 m
05-20	10.46 g/t Au over 11.0 m
05-21	9.99 g/t Au over 4.0 m 9.32 g/t Au over 11 m
05-22	16.56 g/t Au over 3.0 m
05-28	21.65 g/t Au over 2.0 m
05-48	8.89 g/t Au over 11.0 m 7.24 g/t Au over 9.0 m
05-54	5.78 g/t Au over 4.5 m

Best results to date at Gold Zone F-17.

Gold Zone F-17 is presently undergoing a scoping study to determine the minimum requirements necessary to bring such orebody into production in Urban Township. Given Freewest’s current knowledge of the geometry and grade of the F-17 Zone and the fact that it is located near-surface, a bulk mining model is presently favoured. It should be noted that drill hole WIN-05-21, the only hole so far that intersected two of the stacked quartz veins, returned assays of **1.68 g/t Au over 78.00 metres from 12.0 to 90.0 metres** even when assuming grades of zero (0) between the veins.

GOLD ZONE F-51:

To date, Gold Zone F-51 has been intersected over a strike length and a vertical depth of approximately 100 metres (open at depth). Mineralization consists of a NE-trending, steeply north dipping shear zone with auriferous quartz-tourmaline shear veins and disseminated pyrite. Ore shoots appear to be plunging moderately towards the NE. To date a total of 12 holes have been drilled on Gold Zone F-51 for a total of 2,006 metres. To date, more than 33% of the drill holes on the zone have intersected gold mineralization deemed as “economic”.

DDH	BEST RESULT
04-09	3.29 g/t Au over 6.0 m
05-13	2.44 g/t Au over 13.0 m incl. 3.89 g/t Au over 7.5 m
05-16	8.03 g/t Au over 3.0 m
05-37	4.49 g/t Au over 2.0 m
05-44	8.61 g/t Au over 2.0 m

Best results to date at Gold Zone F-51.

GOLD ZONE F-11:

Gold Zone F-11 is still poorly understood but current data suggests that the mineralization is NE-trending and steeply north-dipping with a well defined near-surface geophysical signature that extends for a strike length of 500 metres. The F-11 Gold Zone consists of gold-bearing pyrite-magnetite mineralization with minor amounts of quartz veining hosted by intensely chloritized rhyolitic flows. Only 10 drill holes tested Gold Zone F-11 to date, for a total of 1,385 metres. To date, 30% to 40% of the drill holes on the zone have intersected gold mineralization deemed as “economic”.

DDH	BEST RESULT
04-02	8.34 g/t Au over 3.5 m
05-30	11.91 g/t Au over 17.0 m
05-32	3.35 g/t Au over 3.0 m
05-34	8.18 g/t Au over 3.0 m
Channel	40.62 g/t Au over 5.9 m

Best results to date at Gold Zone F-11.

To date, in addition to the three gold mineralized zones mentioned above, Freewest’s exploration programs at Windfall have outlined a minimum of eight (8) surface gold occurrences:

1. **The IPE Gold Occurrence:** Channel samples of up to **40.62 g/t Au over a 5.90 metre** interval.
2. **The Road Side Gold Occurrence:** Channel samples of up to 1.05 g/t Au and 1.26 g/t Au over 1.00 metre.
3. **The Simple Gold Occurrence:** Channel samples of up to 1.68 g/t Au and 0.79 g/t Au over 1.00 metre.
4. **The Float Gold Occurrence:** Grab samples of up to 6.87 g/t Au and 9.83 g/t Au.
5. **The J & B Gold Occurrence:** Channel samples up to 10.14 g/t Au over 3.8 metres.
6. **The Debris Gold Occurrence:** Channel samples up to 16.51 g/t Au over 4.00 metres.
7. **Trench 1+00E Gold Occurrence:** Channel samples up to 3.15 g/t over 2.00 metres.
8. **Trench 0+00 Gold Occurrence:** Channel samples up to 15.12 g/t Au over 1.00 metre.

Despite Freewest’s very aggressive exploration work since January of 2004, the Windfall Property remains in its early stages of exploration. The known mineralized zones effectively remain open in every direction and need to be tested thoroughly. Current geophysical Induced Polarization coverage still amounts to less than 15% of the nearly 90 square kilometres area of the property and has only investigated the first ~75 meters depth. Furthermore, numerous geophysical targets in geologically favourable areas remain untested.

During the summer of 2005, Freewest’s exploration work was focused on:

- Better understanding the geometry and structural controls of Gold Zones F-11, F-17 and F-51 through mechanical trenching, detailed geological mapping and channel sampling.
- Exploring the surface expression of new, untested geophysical anomalies through mechanical trenching, detailed geological mapping and channel sampling.
- Outlining new mineralized zones through an exploration program including 255 kilometers of line-cutting and detailed geological mapping, and 96 kilometers of Induced Polarization ground geophysics.

Follow-up work in 2005-2006 will include additional induced polarization, down-hole geophysics, mechanical trenching and drilling in the fall and winter of 2006.

EAGLE RIVER

The Eagle River Property was initially staked for its gold potential in 2003, but preliminary geological mapping and sampling also revealed an excellent setting for base metal Cu-Zn mineralization of volcanogenic origin.

The summer 2005 exploration program at Eagle River was aimed at exploring for both gold and base metal targets. The first phase of field work was completed in the third week of June with the completion of geological mapping, preliminary prospecting and soil geochemical surveys over prospective conductors. The surface expression of conductors was also verified using "Beep Mats".

To date, only a few conductors were explained by surface prospecting. Samples of exhalative units near those conductors returned assays of up to 0.05% Cu and 0.2% Zn. A soil geochemical survey of more than 1,200 samples was carried-out during the first phase of exploration and covered, where possible, all the conductors. A number of strong B-horizon soil anomalies were located with values of up to 743 ppm for Cu, 887 ppm for Zn, 100 ppm for Pb and 25 ppb for Au.

A mechanical trenching program is ongoing since the beginning of September 2005 to follow-up on the soil geochemical anomalies and other areas of interest. Initial grab samples have returned up to 0.4 g/t Au but channel samples have yet to be collected.

Drilling is planned at Eagle River for late 2005 to follow-up on all encouraging results from the current exploration work.

ONTARIO

SUNGOLD

Freewest announced in March new discovery of high-grade volcanic-hosted massive sulphide mineralization (VHMS) on its 100%-owned Sungold property. The property comprises 93.6 square kilometers and is located 120 kilometres west of Thunder Bay in the Shebandowan greenstone belt of northwestern Ontario.

Highlighting recent sampling of the new discovery are assays of 12.49% copper and 10.01% zinc in one sample and 0.25% copper and 32.80% zinc in another. These samples of massive sulphide were uncovered at the northeast extremity of an 800-metre long trend of base metal mineralization discovered during the course of a Beep Mat survey under 1 metre of snow and up to 1 metre of overburden. Stringer, heavily disseminated and semi-massive sulphide mineralization was encountered in other sample pits located along stratigraphic trend, an additional 800 metres to the southwest. Mineralization remains completely open-ended along strike. Limited exposure at the mineralized locale, indicate that the host rocks comprise heavily oxidized rhyolitic flows and fragmentals, characterized by chloritic and silicic alteration.

A one (1) kilometer-long airborne electromagnetic anomaly (Geotech VTEM) is coincident with the mineralization. The multi-channel lense-shaped anomaly attains maximum width of about 100 metres along its trend.

Since its discovery by the Company in March of 2005, the Wye Lake copper-zinc occurrence has been the focus of integrated and systematic exploration work involving prospecting, geological mapping and trenching as well as induced polarization (IP), horizontal loop electromagnetic (HLEM), magnetic and gravity surveys.

Trenching has intermittently exposed stringer-type copper-zinc mineralization (mainly chalcopyrite) with lesser semi-massive and massive sulphide styles of mineralization (sphalerite-pyrite-pyrrhotite-chalcopyrite-magnetite) over an intermittent strike length of 800 metres. Highlighting the trenching program was the uncovering of massive copper-zinc mineralization at two locales, situated 400 metres apart and along strike from each other. Assays of up to **27.8% zinc and 0.91% copper** were obtained at the first site, while the second locale returned assays of up to **29.8% zinc and 0.84% copper** in selected grab sampling. Massive sulphides were exposed over a minimum width of eight metres at the second site (trench 400W). Selected samples of semi-massive chalcopyrite mineralization assayed up to **7.10% copper¹** at trench 840W (see news release of July 26, 2005).

The host rocks for mineralization are intermediate to felsic volcanic flows and fragmentals, characterized by moderate to strong chloritic, sericitic and silicic alteration. The mineralized horizon is overlain by an exhalite comprising a cherty tuff sedimentary unit and is underlain by a strongly chloritized footwall, consisting of lapilli tuff and tuff breccia. The geological setting, host rocks,

alteration and mineralization characteristic of Wye Lake are all typical of a classic Archean volcanic-hosted massive sulphide (VHMS) mineralizing system.

The ground geophysical surveys collectively defined the mineralized horizon over a strike length of over one kilometre. A strong, coherent central portion of the anomaly is persistent over a strike length of 500 metres and is characterized by strong conductivity (HLEM survey) and strong chargeability (IP survey). Diamond drilling will test the massive sulphide mineralization and coincident ground geophysical anomalies along the one kilometre strike length, where the Company forecasts a minimum of 3000 metres of drilling. Diamond drilling results will be released as they become available.

Elsewhere on the Sungold property, the Company has targeted three additional airborne geophysical anomalies thought to be favourable for VHMS mineralization. The three anomalies known as Island Lake, Pats Lake and Russell, possess similar anomaly forms and conductance estimates as to that seen over the Wye Lake massive sulphide zone.

They are also thought to occur at the same stratigraphic level within the volcanic pile above the subvolcanic intrusion, as is the case at the Wye Lake discovery. Preliminary mapping and prospecting has revealed strong chlorite-garnet alteration in felsic fragmental rocks at the Russell anomaly. Systematic HLEM surveys, soil geochemical surveys, geological mapping, prospecting and trenching are planned for the aforementioned airborne geophysical anomalies following the completion of linecutting.

LIZAR

The wholly-owned Lizar property is located within the Kabinakagami greenstone belt in northwestern Ontario. It comprises 79.8 kilometers and is host to a number of new and historic gold and base-metal occurrences. This belt is located about 90 kilometers east of the Hemlo gold mining operations. Prior exploration on the property has been limited due to poor accessibility and the extensive overburden that covers large portions of it. Fortunately, over the last five years, forestry operations in the area have resulted in greatly improved access and were instrumental in the discovery of several new gold occurrences, made by Freewest and the original vendors.

In 2001, the property was optioned to Teck Cominco, which must incur C\$3,000,000 in exploration expenditures over a 4-year period to earn a 55% interest in the property.

In order to establish the foundation for further exploration, Teck-Cominco conducted a property-wide airborne survey (Geotem) and a geological mapping program over the last 3 years. In addition, 2004 saw Teck-Cominco complete detailed induced polarization (IP) and UTEM (deep EM) surveys to further define specific exploration targets. The strongest UTEM geophysical anomaly was tested by drill hole LIZ-01 at a 200 meter vertical depth and returned 0.54% nickel and 1.26 g/t palladium over 3.0 meters. One of the adjacent anomalies was the subject of drill hole LIZ-02 and showed that it intersected graphitic beds containing pyrrhotite and pyrite.

The IP surveys outlined well-defined zone anomalies parallel to the Bear Creek Fault Zone, to the southwest of Kirk, Kyle and 42 gold zones. Efforts to further explore these anomalies resulted in the drilling of six additional holes, but none of them returned significant gold values.

Recently, Teck-Cominco terminated their option agreement on the Lizar property. Notably, none of the Kirk, Kyle, and 42 Zones were drilled by Teck Cominco and Freewest is considering possibly drilling these independently. Alternatively, many other companies have expressed interest in participating and funding further exploration.

It is estimated that the cost of drilling the gold occurrences is C\$200,000.

LAROSE

The 100%-owned Larose property consisting of 3,546 acres, is located in the Shebandowan greenstone belt, 120 km west of Thunder Bay in northwestern Ontario. Following the discovery of a number of high-grade gold occurrences in 2003, Freewest acquired the property. Under the acquisition agreement, Freewest must incur exploration expenditures of C\$500,000 over a period of four years and the vendors would be entitled to a 3% Net Smelter Return, with the Company retaining the right to purchase 50 % of it.

Initial stripping conducted by Freewest, intermittently exposed a mineralized corridor of over 2000 meters in strike length. The corridor, known as the Main Zone, consists of a series of discrete northeast-trending shear zones containing multi-ounce gold grades spanning the 2000 meter strike length. The Main Zone is further divided into five areas and yielded Larose (64.87), J&R (8.80), P (371.94), Snoopy (10.15), Porphyry (3.87), and Northwest View (62.93) g/t gold in grab samples respectively.

To test the Main Zone, 30 drill holes were completed in 2003 and 2004. The best results include 2.27 g/t gold over 5.00 metres, 8.74 g/t gold over 2.00 metres and 7.31 g/t gold over 1.80 metres. Notably, all of the occurrences comprising the Main Zone have all been drilled to shallow depth and all remain open along strike and to depth.

As a result of corporate strategy, efforts are currently being made to option the Larose property to interested parties.

McFAULDS

On the McFaulds property, Freewest has entered into 2 separate option agreements involving third parties.

The first agreement grants Noront Resources Ltd. a 50% interest in a 10 square kilometer block. In return, Noront must make a cash payment of \$25,000, issue 100,000 treasury shares, and incur C\$1,000,000 in exploration expenses over a 4-year period. In addition, Noront may earn an incremental 10% interest, by delivering a feasibility study to put the property into commercial production, at no expense to Freewest.

The second agreement grants the Spider-KWG-JV a 50% interest in the remaining 12.7 square kilometers, by incurring C\$3,000,000 in exploration costs over a 4-year period. In addition, the partners may earn an incremental 10% by providing a bankable feasibility study. A further 5% interest can be earned by arranging project financing to put the property into production.

The option agreement carries with it a treasury share requirement, under which Spider and KWG must issue 150,000 shares, respectively. Finally, under this agreement, Freewest must receive a \$50,000 cash payment from the Spider-KWG-JV partnership.

It is anticipated that diamond drilling programs will be completed by both parties on both properties this field season.

NEW BRUNSWICK

CLARENCE STREAM

Diamond drilling continued on the Clarence Stream property during early to mid 2005. The wholly-owned property comprises 81 square kilometres and is located close to infrastructure, 70 kilometres south of Fredericton in southwestern New Brunswick.

The highlight of the latest drilling programs at Clarence Stream is the discovery of the A Zone. The A Zone is situated 100 metres to the east of the Central Zone and may represent an extension of it. The Central Zone is a mineral exploration target¹ comprising some 450,000 to 460,000 tonnes grading between 8.0 and 9.0 g/t gold (137,000 ounces of gold).

Drilling has defined the A Zone over a 250 metre strike length and to a vertical depth of 100 metres. The most significant of the A Zone results are 32.24 g/t gold over 5.0 metres (CS05-135), 5.15 g/t gold over 6.5 metres (CS05-136), 6.85 g/t gold across 7.5 metres (CS05-142) and 7.27 g/t gold over 5.0 metres in hole CS05-144). The A Zone is open down-plunge to the west; additional diamond drilling will be completed this summer to in an effort to build a mineral resource on the A Zone.

Recently, Freewest completed diamond drilling at the site of the *N Zone* on the Clarence Stream property has returned very encouraging results.

The following table highlights the most significant results generated by the drilling. Assay results for an additional 6 holes are pending.

Hole No.	Grid Coordinates	Dip	From (m)	To (m)	Interval (m)	Au (g/t) ¹	Remarks
CS05-164	L725E, 200N	-45°	61.50	81.50	20.00	3.44	N Zone
			Incl. 61.50	65.00	3.50	10.91	
			& Incl. 78.50	81.50	3.00	5.20	
CS05-165	L700E, 175N	-45°	38.30	47.00	8.70	8.35	N Zone
CS05-166	L700E, 200N	-45°	62.50	74.50	12.00	4.39	N Zone
			Incl. 70.00	74.50	4.50	9.91	
CS05-168	L675E, 200N	-45°	4.00	6.50	2.50	4.54	N2 Zone
			56.50	63.00	6.50	7.27	N Zone
			Incl. 56.50	59.50	3.00	14.91	
CS05-169	L700E, 225N	-45°	25.00	29.00	4.00	3.39	N2 Zone
			87.50	91.50	4.00	3.28	N Zone
CS05-171	L725E, 225N	-45°	102.0	108.00	6.00	3.57	N Zone

To date, the *N Zone* has been tested over a 75-metre strike length and to a vertical depth of 125 metres. It has a pipe-like configuration, dips sub-vertically and remains completely open at depth. The *N Zone* consists of quartz stockwork and veins hosted within altered sedimentary and volcanoclastic rocks intruded by gabbroic sills. The quartz veins hosting gold mineralization contain disseminated to clotty stibnite, arsenopyrite, pyrite and locally, visible gold. A narrower parallel structure, known as the *N2 Zone*, was also intersected in the drilling, yielding significant gold values as well.

Diamond drilling will shortly recommence on the *N Zone* at depth in a continuing effort to increase the gold resource on the Clarence Stream property. Of particular significance, from the exploration and potential development point of view, are the close proximity of the *N*, *Central* and *A Zones* to one another and the shallow level of drilling completed to date on all three of the zones. The *Central Zone* is a mineral exploration target² comprising 456,884 tonnes at a grade of 8.74 g/t gold (uncut), yielding an inventory of about 137,000 ounces of gold.

Upon completion of the deeper drilling at the *N Zone*, the Company plans to complete an independent National Instrument 43-101 compliant technical report, focusing on updating the gold inventory of the *N*, *Central* and *A Zones* to the inferred and indicated mineral resource categories. The other mineral exploration targets² on the Clarence Stream property, including the *MW Zone* (330,550 tonnes grading 5.76 g/t gold, yielding 61,546 ounces of gold) and the *AD Zone* (276,626 tonnes grading 5.84 g/t gold, yielding 53,849 ounces of gold) will be reassessed and updated in the same way as the *N*, *Central* and *A Zones*. This technical report will assist management in reassessing exploration priorities and development opportunities.

Meanwhile, several other prospective target areas at Clarence Stream, including Anomaly B (strong gold-antimony-arsenic soil anomaly), will be tested by diamond drilling throughout the summer and well into the fall.

OAK BAY II

The Oak Bay II project comprises 278 hectares and is located 90 kilometres southwest of Fredericton and 15 kilometres west of Freewest's Clarence Stream property, in southwestern New Brunswick.

Detailed geophysical (IP) and soil geochemical surveys as well as diamond drilling were completed in early 2005 on a newly discovered, sheared and altered gabbroic sill, exposed by trenching over a 100-metre strike length. The sill contains appreciable to heavy pyrite, arsenopyrite and pyrrhotite within silicified gabbro over widths ranging from 6 to 20 metres. The average assay of 10 grab samples collected across the mineralized zone is 4.31 g/t gold with assays ranging from 0.18 to 16.57 g/t gold. The new zone known as the Horn Zone had not been previously tested by diamond drilling.

In all, 7 drill holes comprising 436 metres tested the Horn Zone over a strike length of 120 metres and to shallow depth (less than 50 metres). The best result was obtained in hole OB05-07 yielding 5.29 g/t gold over 2.50 metres. The Horn Zone remains open along strike and to depth.

Soil sampling was recently completed at Oak Bay in an effort to trace the strike extensions to the Horn Zone and to discover parallel zones. Results for the soil survey have yet to be received. Further work will be contingent on the soil results but it is anticipated that a total budget of \$50,000 will be sufficient to trench new showings.

GOLDEN RIDGE

This wholly-owned property consisting of 168 claims totaling 6,720 acres, is located in York County, New Brunswick, approximately 80 kilometers west of Fredericton. During the period of 1997 to 1999, Freewest discovered economically significant gold, antimony, and base mineralization hosted within extensive phyllic alteration zones, contained within a large volcanic center approximately 5 kilometres in length and 2 kilometres in width.

Subsequent trenching and drilling of 10 holes by Freewest, resulted in the identification of multiple northwest-trending gold bearing structures, that contain classic low sulphidation, epithermal styles of mineralization. The best drill result of 4.4 g/t gold over 6.0 meters, comprised part of a broader 13.5 meter-wide zone, averaging 2.5 g/t gold. In addition, a number of high-grade antimony-quartz boulders assaying up to 26% antimony were also discovered within a large antimony-in-soil anomaly. The antimony mineralization may be indicative of a classical zoning pattern, typical of epithermal systems located peripheral to a gold-bearing core.

Boulders of fine-grained, banded massive sulphide, were also discovered on the property approximately 2 km north of the identified gold zones. These boulders returned high-grade assays of 20.9% zinc, 15.6% lead, 224 g/t silver and 8.4 g/t gold. Similar grade boulders have also been discovered within the Poplar Mountain Volcanic Complex (PMVC) in Maine. These discoveries strongly suggest the existence of a local source for the massive volcanogenic sulphide style mineralization.

In late 2002, Freewest optioned the property to First Narrows Resources Corp. This option agreement requires First Narrows to spend C\$1,100,000 on exploration over five years in order to earn a 50% interest in the Golden Ridge property.

A significant drill program was conducted by First Narrows to further define the mineralization discovered by Freewest's earlier exploration effort. This recent drilling by First Narrows has resulted in some of the best results to date. These results include: 1.47 g/t gold over 48.9 meters in hole GR-04-11 and 1.23 g/t over 33.2 meters in GR-04-14.

It is anticipated that First Narrows will be completing an exploration program at Golden Ridge this field season. Projected costs at this point are unknown.

RESULTS OF OPERATIONS

Three-month period ended July 31, 2005 compared with three-month period ended July 31, 2004

For the three month ended July 31, 2005, the Corporation reported a net loss of \$152,616 or \$0.0016 per share, compared to a net loss of \$270,111 or \$0.0032 per share in the same period of 2004.

Revenue for the three-month period totaled \$159,787 at July 31, 2005 as compared to \$10,245 at July 31, 2004. Interest income increased by \$1,733 to 11,978 from \$10,245 to \$11,978, as a result of higher funds on deposit from cash received on the exercise of warrants and stock options. Other income, totaled \$147,809 for the three-month period ended July 31, 2005 compared \$Nil (July 31, 2004), and consisted of Quebec mining duties of \$9,282 and Quebec tax credits of \$138,527. No marketable securities were disposed of during the three-month period ended July 31, 2005 and 2004.

The net income for the three-month period ended July 31, 2005 included a write-off due to abandonment of properties of \$106,444 (\$48,210 – July 31, 2004). The cost of mining properties and deferred costs are capitalized until the results of the projects are known. If a project is successful, the related expenditures will be amortized over a period of years pro-rata to anticipated income. If a project is abandoned or if a permanent drop in value for a property is recognized, the related expenditures will be written off. The write-off due to abandonment of properties of \$106,444 included \$40,500 on dropping of the Urban/Greenshield property.

Expenses excluding the write-off due to abandonment of properties totaled \$205,959 compared to \$232,146 for the three-month period ended July 31, 2004. Professional fees totaled \$51,097 for the three-month period ended July 31, 2005 compared to \$53,520 for the three-month period ended July 31, 2004. Filing costs and shareholders' information increased by \$9,965 to \$30,582 compared \$20,617 at July 31, 2004 and was due to an increase in and timing of advertising, promotion, and public relation costs. Administrative expenses and others totaled \$38,643 for the three-month period ended July 31, 2005 as compared to \$44,688 for the three-month period ended July 31, 2004 and related to lower office and associated costs. The cost of Marketable securities was \$422,285 at July 31, 2005 (\$440,385 – July 31, 2004) while their market value was \$228,589 and \$323,591 respectively. The corresponding loss on adjustment of value of Marketable securities was \$84,982 and \$112,503 for the for the three-month period ended July 31, 2005 and 2004 respectively. Stock option compensation expenses as described in the Critical Accounting Polices section totaled \$Nil for the three-month period ended July 31, 2005 and July 31, 2004.

Nine-month period ended July 31, 2005 compared with nine-month period ended July 31, 2005

For the nine-month ended July 31, 2005, the Corporation reported a net loss of \$1,136,712 or \$0.0118 per share, compared to a net loss of \$977,561 or \$0.0116 per share in the same period of 2004.

Revenue totaled \$200,301 at July 31, 2005 as compared to \$39,851 at July 31, 2004. Interest income decreased by \$4,222, as a result of lower funds on deposit and lower interest rates for the period of November 2004 to May 2005 offset by the proceeds from the exercise of warrants, stock options and Quebec mining duties and tax credits received in the three-month period ended July 31, 2005. The gain on disposal of assets comprised mainly of marketable securities totaled \$23,795 at July 31, 2005 as compared to \$3,600 (July 31, 2004).

The net loss for the nine-month period included a write-off due to abandonment of properties of \$952,032 (\$363,660 – July 31, 2004). The write-off due to abandonment of properties of \$952,032 included \$533,881 and \$82,691 for the return of the Smoke Lake and the Central Canada properties to the respective vendors and \$64,905 and \$40,500 on the dropping of the Boucher Brook and Urban/Greenshield properties.

Expenses excluding the write-off due to abandonment of properties totaled \$828,235 compared to \$653,752 for the nine-month period ended July 31, 2004. Professional fees totaled \$191,481 for the nine-month period ended July 31, 2005 compared to \$184,219 for the nine-month period ended July

31, 2004 and was related to an increase in professional services provided during the period and estimated year-end accruals. Filing costs and shareholders' information decreased by \$5,174 to \$118,522 compared \$123,696 at July 31, 2004 and was due to a decrease in and timing of advertising, promotion, and public relation costs. Administrative expenses and others totaled \$125,747 for the nine-month period ended July 31, 2005 as compared to \$146,657 for the nine-month period ended July 31, 2004 and related to lower office and associated costs. The cost of Marketable securities was \$422,285 at July 31, 2005 (\$440,385 – July 31, 2004) while their market value was \$228,589 and \$323,591 respectively. The corresponding loss on adjustment of value of Marketable securities was \$180,521 and \$116,794 for the for the nine-month period ended July 31, 2005 and 2004 respectively. Stock option compensation expenses as described in the Critical Accounting Policies section totaled \$210,000 for the nine-month period ended July 31, 2005 compared to \$75,300 for the nine-month period ended July 31, 2004. Interest expenses were \$Nil for the nine-month period ended July 31, 2005 compared to \$4,631 for the nine-month period ended July 31, 2004.

SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for nine of the most recently completed financial quarters:

	2005			2004				2003	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	159,787	9,660	30,854	4,086	10,245	18,650	10,956	7,683	61,201
Net income (loss)	(152,616)	(1,226,774)	242,678	692,343	(270,111)	(333,049)	516,391	(1,739,662)	(901,715)
Net income (loss) per share – basic & diluted	(0.0016)	(0.0133)	0.0027	0.0081	(0.0032)	(0.0040)	0.0068	(0.0256)	(0.0136)

The Company has no dividend policy and has no intention of developing a dividend policy in the foreseeable future. The Company has paid no dividends and has no retained earnings from which it might pay dividends.

LIQUIDITY

Nine-month period ended July 31, 2005 compared with nine-month period ended July 31, 2004

As at July 31, 2005, the Corporation maintained a cash and equivalent position of \$4,058,424 (\$2,035,493 as at July 31, 2004) and working capital of \$3,950,200 as compared to a working capital of \$2,149,747 as at July 31, 2004. The Corporation has no long-term debt. Management is of the opinion that the current cash position is sufficient to meet current commitments. Full development of some mineral properties would require substantially more financial resources. Traditionally, the Corporation has been able to rely on its ability to raise financing in public and private negotiated equity offerings. The Corporation may also advance the development of mineral properties through joint-venture participation.

Freewest raised a total \$2,463,194 under flow-through agreements for the nine-month period ended July 31, 2005 (\$2,055,163 for the nine-month period ended July 31, 2004). The Company also raised \$156,361 for cash for the nine-month period ended July 31, 2005 (\$884,837 – for the nine-month period ended July 31, 2004). Warrants exercised during the nine month period ended July 31, 2005 totaled \$3,334,354 (\$562,773 – for the nine month period ended July 31, 2004). Freewest raised an additional \$109,100 on the exercise of stock options for the nine-month period ended July 31, 2005 (\$14,250 – for the nine month period July 31, 2004). Issue costs related to the financings totaled \$225,823 at July 31, 2005 as compared to \$201,163 at July 31, 2004.

MINING PROPERTIES AND DEFERRED COSTS

	October 31, 2004	Expenditures	Proceeds from option agreements	(Write-off, Disposal or Grant)	July 31, 2005
	\$	\$	\$	\$	\$
Quebec					
Benoit					
Acquisition	400,858	1,012	-	-	401,870
Exploration	95,692	-	-	-	95,692
Barry					
Acquisition	145,642	-	-	-	145,642
Exploration	473,252	1,381	-	-	474,633
Verneuil					
Acquisition	208,956	527	-	-	209,483
Exploration	33,476	-	-	-	33,476
Windfall					
Acquisition	106,818	30,511	-	(27,500)	109,829
Exploration	631,351	739,076	-	(13,000)	1,357,427
Eagle River					
Acquisition	7,945	(269)	-	-	7,676
Exploration	122,400	183,987	-	-	306,387
La Treve					
Acquisition	33,501	-	-	-	33,501
Exploration	102,792	(5,426)	-	-	97,366
Others					
Acquisition	18,700	-	-	-	18,700
Exploration	2,200	31,293	-	(31,293)	2,200
	2,383,583	982,092	-	(71,793)	3,293,882
Ontario					
Larose					
Acquisition	44,263	15,000	-	-	59,263
Exploration	728,091	188,287	-	-	916,378
Lizar					
Acquisition	70,422	45,667	-	-	116,089
Exploration	301,961	974	-	-	302,935
McFaulds					
Acquisition	(39,622)	-	-	-	(39,622)
Exploration	144,756	4,360	-	-	149,116
Sungold					
Acquisition	99,527	15,750	-	-	115,277
Exploration	256,260	625,030	-	-	881,290
Folson Lake					
Acquisition	(8,300)	-	-	-	(8,300)
Exploration	236,022	1,173	-	-	237,195
Nameigos					
Acquisition	59,566	10,666	-	-	70,232
Exploration	81,228	-	-	-	81,228

MINING PROPERTIES AND DEFERRED COSTS (Cont'd)

	October 31, 2004	Expenditures	Proceeds from option agreements	(Write-off, Disposal or Grant)	April 30, 2005
	\$	\$	\$	\$	\$
Ontario (Cont'd)					
New Property					
Acquisition	92,744	10,667	-	-	103,411
Exploration	38,094	-	-	-	38,094
Smoke Lake					
Acquisition	87,902	546	-	(88,448)	-
Exploration	445,433	-	-	(445,433)	-
Central Canada					
Acquisition	23,000	-	-	(23,000)	-
Exploration	56,862	2,829	-	(59,691)	-
Adel					
Acquisition	-	29,775			29,775
Exploration	-	92,171			92,171
Others					
Acquisition	2,750	60,073	-	-	62,823
Exploration	1,978	167,039	-	(167,039)	1,978
	2,722,937	1,270,007	-	(783,611)	3,209,333
New Brunswick					
Golden Ridge					
Acquisition	140,740	-	-	-	140,740
Exploration	760,544	-	-	-	760,544
Clarence Stream					
Acquisition	401,835	15,000	-	-	416,835
Exploration	4,311,991	623,703	-	(13,000)	4,922,694
Oak Bay II					
Acquisition	21,350	14,920	-	-	36,270
Exploration	18,831	127,438	-	-	146,269
Boucher Brook					
Acquisition	21,980	-	-	(21,980)	-
Exploration	42,925	-	-	(42,925)	-
Others					
Acquisition	(5,902)	696	-	-	(5,206)
Exploration	32,945	31,732	-	(31,723)	32,954
	5,747,239	813,489	-	(109,628)	6,451,100
Canadian Properties	10,853,759	3,065,588		(965,032)	12,954,315
Stock Option Compensation	81,725	94,026	-	-	175,751
	10,935,484	3,159,614	-	(965,032)	13,130,066

For the nine-month period ended July 31, 2005, the Corporation incurred exploration expenditures totaling \$2,815,048 of which \$950,314 was incurred in Quebec; \$1,081,864 in Ontario and \$782,870 in New Brunswick. The exploration expenditures incurred in Canada were funded through the amount raised from Freewest's private placement equity financings.

ADMINISTRATIVE EXPENSES AND OTHERS

The table below details the amounts included in Administrative Expenses and Others of \$125,747 for the nine-month period ended July 31, 2005 (\$146,657 – July 31, 2004):

	July 31, 2005	July 31, 2004
	\$	\$
Office Expenses		
Dues and Subscriptions	3,415	4,973
Postage and Courier	2,872	3,553
Telephone	3,335	2,916
Insurance	18,173	16,243
Office Supplies and Other	31,552	22,961
Recovery	(12,500)	(9,000)
Salaries	60,495	78,818
Rent	16,772	16,680
Interest and Bank Charges	-	1,227
Foreign Exchange	1,633	850
Tax on Capital	-	7,436
	125,747	146,657

CAPITAL STOCK

a) The authorized and issued capital stock of the Corporation consists of the following:

Authorized:

An unlimited number of no par value common shares.

	<u>Number of Shares</u>	<u>Amount</u>
	#	\$
Issued:		
Balance at beginning, October 31, 2004 (audited)	87,127,311	29,453,000
Issuance of shares under flow-through agreements	9,926,770	2,463,194
Issuance of shares for cash	713,968	156,361
Issuance of shares on the exercise of warrants	11,059,901	3,334,354
Issuance of shares on the exercise of stock options	455,000	109,100
Issuance of shares on acquisition of mining properties	255,000	89,000
Issued and fully paid	<u>109,537,950</u>	<u>35,605,009</u>
Tax benefits renounced on flow-through shares	<u>-</u>	<u>(443,254)</u>
Balance at end, July 31, 2005 (unaudited)	<u><u>109,537,950</u></u>	<u><u>35,161,755</u></u>

b) Stock option plan

	Number of Options	Weighted Average Exercise Price
	#	\$
Balance at beginning October 31, 2004 (audited)	6,480,000	0.33
Granted	2,100,000	0.25
Exercised	(455,000)	0.24
Expired	(100,000)	0.29
Balance at end, July 31, 2005 (unaudited)	<u>8,025,000</u>	<u>0.32</u>

Accounting for the stock-based compensation plan

The fair value of 250,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	2.43%
Expected volatility	123.0%
Dividend yield	Nil
Weighted average expected life	4.2 years

The expenses related to the 250,000 stock options granted to employees on November 12, 2004 were classified under the "Deferred exploration expenses" (\$47,500).

The fair value of 1,800,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	3.70%
Expected volatility	177.0%
Dividend yield	Nil
Weighted average expected life	5.0 years

The expenses related to the 1,800,000 stock options granted to employees on March 11, 2005 were classified under the "Deferred exploration expenses" (\$42,000) and under "Administration" (\$210,000).

The fair value of 1,800,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	1.55%
Expected volatility	87.0%
Dividend yield	Nil
Weighted average expected life	1 year

The expenses related to the 40,000 stock options granted to employees from May 11 to June 27, 2005 were classified under the "Deferred exploration expenses" (\$4,526).

c) Warrants

	Number of Warrants	Weighted Average Exercise Price
	#	\$
Balance at beginning October 31, 2004 (audited)	12,854,092	0.34
Granted	3,570,369	0.28
Exercised	(11,019,901)	0.30
Expired	(1,850,000)	0.58
Balance at end, July 31, 2005 (unaudited)	<u>3,554,560</u>	<u>0.28</u>

RELATED PARTY TRANSACTIONS

All related party transactions are in normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties.

- (i) During the period the Corporation retained the services of certain members of the board of directors of the Corporation to carry out work on its exploration projects. For the period ended July 31, 2005, the total amount of such services was \$56,700 (2004 - \$56,700).
- (ii) Prepaid expenses included an amount of \$3,275 representing an advance to an officer for upcoming office expenses.
- (iii) The related corporations charged an aggregate amount of \$923,100 (2004 - \$239,532) for mining properties and exploration expenditures.
- (iv) The Corporation charged related corporation an aggregate amount of \$46,471 (2004 - \$16,522) for administrative costs and services, shared office expenses and mining properties costs.
- (v) Due to (from) related corporations significantly represent the net amount of charges for shared office and related expenses, as well as joint venture exploration expenditures between Freewest Resources Canada Inc. and Murgor Resources Inc..
- (vi) Amounts due to (from) related parties are non-interest bearing with no specific terms of repayment.

Certain directors and shareholders of the Corporation are also directors, officers and shareholders of the related corporations.

CRITICAL ACCOUNTING POLICIES

The Company prepares its financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”) in Canada. The Company details its significant accounting policies in Note 2 to its audited October 31, 2004 financial statements, of which the Freewest has identified the following accounting policies, which are believed to be the most critical in fully understanding and evaluating the reported financial results:

The cost of mining properties and deferred costs are capitalized until the results of the projects are known. If a project is successful, the related expenditures will be amortized over a period of years pro-rata to anticipated income. If a project is abandoned or if a permanent drop in value for a property is recognized, the related expenditures will be written off. The sale of an interest in claims or a grant received is credited directly to expenditures until such time as all related expenditures are recovered. Direct costs incurred to maintain claims are capitalized.

The Corporation has two stock option plans as described in note 8 to the audited October 31, 2004 financial statements. Effective November 1, 2002, the Corporation adopted prospectively the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments* and began expensing prospectively its stock based compensation in 2003. Under these new standards, all stock-based payments made to non-employees must be systematically accounted for in the Corporation’s financial statements. Under this method, compensation cost should be measured at the grant date based on the fair value of the award and should be recognized over the related service period. The cost of the stock option Compensation Plan is recognized in Deferred Exploration Expenses and Administration Expenses with a corresponding credit to Contributed Surplus using the fair value based method of Accounting of Awards.

Basic per share amounts are calculated using the weighted number of shares outstanding for the period. The dilutive loss per share, which is calculated using the treasury method, is equal to the basic loss per share due to the anti-dilutive effect of the total share options and warrants outstanding.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of income and expenses during the reporting period. Significant areas requiring the use of management estimates relate to impairment of mineral properties. Actual results could differ from those estimates.

The Corporation uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

The Corporation has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Corporation, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

Adoption of New Accounting Policy

Effective as of the audited October 31, 2004 financial statements, the Corporation prospectively adopted the recommendation of the Emerging Issues Committee (“EIC”) of the Canadian Institute of Chartered Accountants (“CICA”). EIC 146 requires the recognition of the foregone tax benefit at the time of the renouncement provided there is reasonable assurance that the expenditures will be incurred.

Financial Instruments

The Corporation’s financial instruments consist of cash, cash held for exploration work, marketable securities, accounts receivable, accounts payable and accrued liabilities, and related party payables. It is management’s opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. Due to their short term nature, the fair value of these financial instruments approximates their carrying value.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the financial statements and other financial information relating to the Corporation included in this interim report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and necessarily include amounts based on estimates and judgements of management. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

(Signed: Mackenzie I. Watson, P.Eng)
President & CEO

(Signed: Ronald Kay)
Director

**FREEWEST RESOURCES CANADA INC.
BALANCE SHEETS
AS AT**

	July 31 2005 (Unaudited)	October 31 2004 (Audited)
	\$	\$
ASSETS		
CURRENT		
Cash	3,564,671	464,393
Cash Held for Exploration Work	493,753	909,612
Marketable Securities (note 4)	228,589	430,110
Accounts Receivable	171,239	45,998
Prepaid Expenses	55,883	35,675
	<u>4,514,135</u>	<u>1,885,788</u>
PROPERTY, PLANT AND EQUIPMENT	36,053	44,877
MINING PROPERTIES AND DEFERRED COSTS	<u>13,130,066</u>	<u>10,935,484</u>
	<u><u>17,680,254</u></u>	<u><u>12,866,149</u></u>
LIABILITIES		
CURRENT		
Accounts Payable and Accrued Liabilities	376,898	292,249
Due to Related Parties (note 6)	187,037	107,827
	<u>563,935</u>	<u>400,076</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5 a)	35,161,755	29,453,000
STOCK OPTIONS	607,076	303,050
WARRANTS	39,000	39,000
DEFICIT	<u>(18,691,512)</u>	<u>(17,328,977)</u>
	<u>17,116,319</u>	<u>12,466,073</u>
	<u><u>17,680,254</u></u>	<u><u>12,866,149</u></u>

Approved on Behalf of the Board:

(Signed: Mackenzie I. Watson) Director
(Signed: Ronald Kay) Director

See accompanying notes
to financial statements.

FREEWEST RESOURCES CANADA INC.
INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
(UNAUDITED)

	Three-month period ended		Nine-month period ended	
	July 31		July 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
REVENUE				
Interest	11,978	10,245	28,697	32,919
Gain on Disposal of Assets	-	-	23,795	3,600
Other Income	147,809	-	147,809	3,332
	<u>159,787</u>	<u>10,245</u>	<u>200,301</u>	<u>39,851</u>
EXPENSES				
Professional Fees	51,097	53,520	191,481	184,219
Filing Costs and Shareholders' Information	30,582	20,617	118,522	123,696
Administrative Expenses and Others	38,643	44,688	125,747	146,657
Amortization	655	818	1,964	2,455
Interest	-	-	-	4,631
Write-off Due to Abandonment of Properties	106,444	48,210	952,032	363,660
Loss on Adjustment of Value of Marketable Securities	84,982	112,503	180,521	116,794
Stock Option Compensation	-	-	210,000	75,300
	<u>312,403</u>	<u>280,356</u>	<u>1,780,267</u>	<u>1,017,412</u>
LOSS BEFORE RECOVERY OF INCOME TAXES	(152,616)	(270,111)	(1,579,966)	(977,561)
RECOVERY OF INCOME TAXES	-	-	443,254	-
NET LOSS	(152,616)	(270,111)	(1,136,712)	(977,561)
DEFICIT - BEGINNING OF PERIOD	(18,426,100)	(17,711,714)	(17,328,977)	(16,809,596)
ISSUE COSTS	<u>(112,796)</u>	<u>(6,495)</u>	<u>(225,823)</u>	<u>(201,163)</u>
DEFICIT - END OF PERIOD	<u>(18,691,512)</u>	<u>(17,988,320)</u>	<u>(18,691,512)</u>	<u>(17,988,320)</u>
BASIC AND FULLY DILUTED NET LOSS PER SHARE	<u>(0.0016)</u>	<u>(0.0032)</u>	<u>(0.0118)</u>	<u>(0.0116)</u>
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES	<u>96,008,466</u>	<u>84,528,159</u>	<u>96,008,466</u>	<u>84,528,159</u>

See accompanying notes
to financial statements.

FREEWEST RESOURCES CANADA INC.
INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three-month period ended		Nine-month period ended	
	July 31		July 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Loss	(152,616)	(270,111)	(1,136,712)	(977,561)
Adjustments for:				
Adjustment of Value of Marketable Securities	84,982	112,503	180,521	116,794
Write-off Due to Abandonment of Properties	106,444	48,210	952,032	363,660
Amortization	655	818	1,964	2,455
Stock Option Compensation	-	-	210,000	75,300
Recovery of Income Taxes - Future	-	-	(443,254)	-
	<u>39,465</u>	<u>(108,580)</u>	<u>(235,449)</u>	<u>(419,352)</u>
Changes in non-cash working capital components				
Marketable securities	-	116,000	21,000	2,000
Accounts Receivable	(22,193)	82,810	(125,241)	(234)
Prepaid Expenses	50,849	22,273	(20,208)	2,353
Accounts Payable and Accrued Liabilities	101,544	(54,128)	84,649	(92,289)
Due to Related Parties	39,993	13,192	79,210	103,299
	<u>170,193</u>	<u>180,147</u>	<u>39,410</u>	<u>15,129</u>
Cash Flows Used In Operating Activities	<u>209,658</u>	<u>71,567</u>	<u>(196,039)</u>	<u>(404,223)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of Shares	2,811,119	-	3,599,815	1,461,860
Issuance of Flow-Through Shares	1,120,000	-	2,463,195	2,055,163
Issue Costs	(112,796)	(6,495)	(225,823)	(98,163)
Cash Flows From Financing Activities	<u>3,818,323</u>	<u>(6,495)</u>	<u>5,837,187</u>	<u>3,418,860</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, Plant and Equipment	-	-	-	(20,812)
Proceeds from Option Agreements	-	30,000	-	30,000
Government Grants	13,000	40,000	13,000	40,000
Mining Properties Acquisition Expenditures	(188,733)	(38,335)	(311,495)	(46,791)
Mining Properties Exploration Expenditures	(1,026,101)	(655,624)	(2,848,120)	(1,586,618)
Mining Properties Acquired by the Issuance of Shares	89,000	22,625	89,000	59,475
Amortization	2,286	3,065	6,860	7,633
Stock option compensation	4,526	10,500	94,026	10,500
Cash Flows Used In Investing Activities	<u>(1,106,021)</u>	<u>(587,769)</u>	<u>(2,956,728)</u>	<u>(1,506,613)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	2,921,959	(522,697)	2,684,419	1,508,024
Cash and cash equivalents - beginning of period	1,136,465	2,558,190	1,374,005	527,469
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>4,058,424</u></u>	<u><u>2,035,493</u></u>	<u><u>4,058,424</u></u>	<u><u>2,035,493</u></u>
CASH AND CASH EQUIVALENTS CONSISTS OF:				
Cash	3,564,671	632,876	3,564,671	632,876
Cash Held for Exploration Work	493,753	1,402,617	493,753	1,402,617
	<u><u>4,058,424</u></u>	<u><u>2,035,493</u></u>	<u><u>4,058,424</u></u>	<u><u>2,035,493</u></u>

See accompanying notes
to financial statements.

FREEWEST RESOURCES CANADA INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
JULY 31, 2005
(UNAUDITED)

1. NATURE OF OPERATIONS

The Corporation, directly and through joint ventures, is in the process of exploring its mining properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mining properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mining claims, the ability of the Corporation to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of the properties.

2. BASIS OF PRESENTATION

The unaudited interim financial statements are prepared in accordance with generally accepted accounting principles in Canada and use the same accounting policies and methods used in the preparation of the company's most recent audited annual financial statements. All disclosure required for audited annual financial statements have not been included in these unaudited interim financial statements. These unaudited interim financial statements should be read in conjunction with the company's most recent audited annual financial statements.

In the opinion of management, the unaudited interim financial statements reflect all adjustments, which consist of normal and recurring adjustments, necessary to present fairly the financial position at July 31, 2005 and the results of operations and cash flows for the three-month and nine-month periods ended July 31, 2005 and 2004.

3. USE OF ESTIMATES

The preparation of the unaudited interim financial statements in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the unaudited interim financial statements and accompanying notes. Management believes that the estimates used in the preparation of the unaudited interim financial statements are reasonable and prudent; however, actual results could differ from these estimates.

4. MARKETABLE SECURITIES

Marketable securities are carried at the lower of cost and market. As at July 31, 2005, cost was \$422,285 (October 31, 2004 - \$443,285). Market value at July 31, 2005 was \$228,589 (October 31, 2004 - \$430,110).

5. CAPITAL STOCK

a) The authorized and issued capital stock of the Corporation consists of the following:

Authorized:

An unlimited number of no par value common shares.

	Number of Shares	Amount
	#	\$
Issued:		
Balance at beginning, October 31, 2004 (audited)	87,127,311	29,453,000
Issuance of shares under flow-through	9,926,770	2,463,194
Issuance of shares for cash	713,968	156,361
Issuance of shares on the exercise of warrants	11,059,901	3,334,354
Issuance of shares on the exercise of stock options	455,000	109,100
Issuance of shares on acquisition of mining properties	255,000	89,000
Issued and fully paid	109,537,950	35,605,009
Tax benefits renounced on flow-through shares	-	(443,254)
Balance at end, July 31, 2005 (unaudited)	109,537,950	35,161,755

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5. CAPITAL STOCK (Cont'd)
b) Stock option plan

	Number of Options	Weighted Average Exercise Price
	#	\$
Balance at beginning October 31, 2004 (audited)	6,480,000	0.33
Granted	2,100,000	0.25
Exercised	(455,000)	0.24
Expired	(100,000)	0.29
	8,025,000	0.32
Balance at end, July 31, 2005 (unaudited)	8,025,000	0.32

Accounting for the stock-based compensation plan

The fair value of 250,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	2.43%
Expected volatility	123.0%
Dividend yield	Nil
Weighted average expected life	4.2 years

The expenses related to the 250,000 stock options granted to employees on November 12, 2004 were classified under the "Deferred exploration expenses" (\$47,500).

The fair value of 1,800,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	3.70%
Expected volatility	177.0%
Dividend yield	Nil
Weighted average expected life	5.0 years

The expenses related to the 1,800,000 stock options granted to employees on March 11, 2005 were classified under the "Deferred exploration expenses" (\$42,000) and under "Administration" (\$210,000).

The fair value of 40,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	1.55%
Expected volatility	87.0%
Dividend yield	Nil
Weighted average expected life	1 year

The expenses related to the 40,000 stock options granted to employees from May 11 to June 27, 2005 were classified under the "Deferred exploration expenses" (\$4,526).

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5. CAPITAL STOCK (Cont'd)

c) Warrants

	<u>Number of Warrants</u>	<u>Average Exercise Price</u>
	#	\$
Balance at beginning October 31, 2004 (audited)	12,854,092	0.34
Granted	3,570,369	0.28
Exercised	(11,019,901)	0.30
Expired	(1,850,000)	0.58
Balance at end, July 31, 2005 (unaudited)	<u>3,554,560</u>	<u>0.28</u>

6. RELATED PARTY TRANSACTIONS

All related party transactions are in normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties.

(i) During the period the Corporation retained the services of certain members of the board of directors of the Corporation to carry out work on its exploration projects. For the period ended July 31, 2005, the total amount of such services was \$56,700 (2004 - \$56,700).

(ii) Prepaid expenses include an amount of \$3,275 representing an advance to an officer for upcoming office

(iii) The related corporation charged an aggregate amount of \$923,100 (2004 - \$239,532) for mining properties and exploration expenditures.

(iv) The Corporation charged related corporation an aggregate amount of \$46,471 (2004 - \$16,522) for administrative costs and services, shared office expenses and mining properties costs.

(v) Due to (from) related corporations significantly represent the net amount of charges for shared office and related expenses, as well as joint venture exploration expenditures between Freewest Resources Canada Inc. and Murgor Resources Inc..

(vi) Amounts due to (from) related parties are non-interest bearing with no specific terms of repayment.

Certain directors and shareholders of the Corporation are also directors, officers and shareholders of the related corporations.

7. COMPARATIVE FIGURES

Certain items in the comparative unaudited interim financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 unaudited interim financial statements.