

Consolidated Financial Statements of

BRC DEVELOPMENT CORPORATION

March 31, 2004

NOTICE TO READER

These interim consolidated financial statements of BRC Development Corporation as at and for the three month period March 31, 2004 have been prepared by management of BRC Development Corporation. The auditors of BRC Development Corporation have not audited or reviewed these interim consolidated financial statements.

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BRC DEVELOPMENT CORPORATION

Consolidated Balance Sheets

	March 31, 2004 (Unaudited)	December 31, 2003
ASSETS		
CURRENT		
Cash	\$ 2,893	\$ 77,388
	2,893	77,388
INVESTMENT (Note 4)	1,317,959	1,317,959
MINERAL PROPERTIES (Note 5)	473,732	464,552
DEFERRED PRE-OPERATING COSTS (Note 5)	22,771	22,481
CAPITAL ASSETS (Note 6)	63,785	75,041
	\$ 1,881,140	\$ 1,957,421
LIABILITIES		
CURRENT		
Accounts payable	\$ 65,370	\$ 70,838
Due to related parties	57,996	420,438
	123,366	491,276
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 7a)	1,575,695	1,250,154
WARRANTS	17,000	17,000
CONTRIBUTED SURPLUS	25,314	25,314
RETAINED EARNINGS	139,765	173,677
	1,757,774	1,466,145
	\$ 1,881,140	\$ 1,957,421

BRC DEVELOPMENT CORPORATION
Consolidated Statements of Operations and Retained Earnings
Three Months ended March 31, 2004 and 2003
(unaudited)

	2004	2003
EXPENSES		
Consulting fees	\$ -	\$ 6,000
Professional fees	6,269	6,972
Management fees	12,000	16,049
General and administrative	4,386	29,087
Depreciation	11,257	11,257
	(33,912)	(69,365)
Interest income	-	3
NET (LOSS) EARNINGS FOR THE PERIOD	(33,912)	(69,362)
RETAINED EARNINGS, BEGINNING OF PERIOD	173,677	619,439
RETAINED EARNINGS, END OF PERIOD	\$ 139,765	\$ 550,077
BASIC AND DILUTED (LOSS) EARNINGS		
PER SHARE (Note 7d)	\$ (0.01)	\$ (0.01)

BRC DEVELOPMENT CORPORATION

Consolidated Statements of Cash Flows

Three Months ended March 31, 2004 and 2003

(unaudited)

	2004	2003
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net (loss) earnings for the period	\$ (33,912)	\$ (69,362)
Items not affecting cash		
Depreciation	11,257	11,257
	(22,655)	(58,105)
Changes in non-cash working capital items		
Due from related parties	-	6,000
Accounts payable	(5,469)	(18,685)
	(28,124)	(70,790)
INVESTING		
Mineral properties	(9,470)	-
	(9,470)	-
FINANCING		
Issuance of common shares	325,541	63,750
Due to related parties	(362,442)	(11,377)
	(36,901)	52,373
INCREASE (DECREASE) IN CASH	(74,495)	(18,147)
CASH, BEGINNING OF PERIOD	77,388	128,321
CASH, END OF PERIOD	\$ 2,893	\$ 109,904

BRC DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

March 31, 2004
(unaudited)

1. CONTINUATION OF THE BUSINESS

BRC Development Corporation (the "Corporation") is incorporated under the laws of the Province of Ontario. The principal business of the Corporation is the acquisition and exploration of mineral properties in Canada. The recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Corporation to obtain financing to complete the development of the properties where necessary and upon future profitable production, or, alternatively, upon the Corporation's ability to recover its spent costs through a disposition of its interests, all of which are uncertain.

2. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Basis of consolidation

The financial statements represent the consolidated financial statements of BRC Development Corporation, which include its accounts and those of its wholly-owned subsidiary, BRC Congo Development SPRL. All inter-company balances and charges have been eliminated.

Use of estimates

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

Investment

The Corporation holds an investment in Nevada Bob's International Inc. ("NBI"), through its common share holdings. The investment 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.

BRC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral properties

Costs relating to the acquisition, exploration and development of non-producing resource properties are capitalized until such time as either economically recoverable reserve are established, the properties are sold or abandoned, or the value of the particular property is impaired. The excess of these costs over estimated recoveries is charged to operations. The ultimate recovery of these costs depends on the discovery and development of economic reserves or the sale of the mineral rights. The amounts shown for non-producing resource properties do not necessarily reflect present or future values.

Capital assets

Capital assets of the Corporation consist of leasehold improvements, which are being depreciated over the term of the lease.

Stock options

The Corporation has a stock option plan, which is described in Note 7b. The Corporation has adopted 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 compensation expense. Compensation expense on stock options granted is recognized and amortized over the vesting period. Any consideration paid on the exercise of stock options is credited to share capital.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantially enacted income tax rates for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce future income tax assets to amounts expected to be realized.

Earnings per share

Basic earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average number of shares outstanding during the reporting period. In computing diluted earnings per share, the dilutive effects of outstanding stock options have been determined using the treasury stock method instead of the imputed interest method.

Deferred pre-opening costs

The Corporation defers expenditures incurred during the pre-operating period of a business until such time as the business commences operations.

BRC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2004
(unaudited)

3. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2004, the Corporation has adopted the fair value based method of accounting for stock options granted subsequent to January 1, 2004 under its stock-based compensation plan. The new policy requires that the Corporation recognize compensation expense over the vesting period for option granted to directors, officers and employees. Previously, the Corporation accounted for its stock-based compensation plan using the intrinsic value based method and accordingly, did not recognize compensation expense in the consolidated financial statements for stock options granted to directors, officers and employees issued at market value.

4. INVESTMENT IN NEVADA BOB'S INTERNATIONAL INC. ("NBI")

As at March 31, 2004, the Corporation held 3.56% (2003 - 3.56%) of the issued and outstanding common shares of NBI, with a book value of \$1,249,259 (2003 - \$1,249,259) and a market value of \$370,070 (2003 - \$210,854). During 2003, NBI completed a private placement to raise capital, in which the Corporation did not participate. As a result, the Corporation's shareholding as at December 31, 2003, was reduced to 3.56% (2002 - 3.96%) of the issued and outstanding shares of NBI.

5. MINERAL PROPERTIES

During 2003, the Corporation acquired seven additional mining claims, located in the Kenora/RainyRiver district of Ontario, for total consideration of \$6,049. Also during 2003, the Corporation did not renew all of its mining claims, allowing four claims in Fenton Township to expire during the year. The cost of acquisition of these claims, of \$4,109, was written-off. These transactions brought the Corporation's total number of mining claims in Ontario to thirteen, as at December 31, 2003. The Corporation incurred total exploration expenditures of \$80,408 (2002 - \$Nil) on its thirteen mining claims.

In addition to the Ontario properties, the Corporation has begun developing exploration opportunities in the Democratic Republic of the Congo ("DRC"). To facilitate these exploration efforts, the Corporation incorporated in 2003 a local Congolese subsidiary, BRC Congo Development SPRL (the "Subsidiary"). Since inception, the efforts of the Subsidiary have been devoted to obtaining prospecting permits from the Mining Cadastral, the government agency in charge of all mining registrations under the Congolese Mining Code. The Subsidiary has not yet obtained final approval for any prospecting permits from the Mining Cadastral in the DRC. As such, it is considered to be in the pre-operating stage and all operating costs of the Subsidiary have been deferred until such time as the Subsidiary is able to begin exploration activities in the DRC. As at March 31, 2004, the Subsidiary has deferred exploration expenditures of \$22,771.

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6. CAPITAL ASSETS

	2004		2003
	Cost	Accumulated Depreciation	Net Book Value
Leasehold improvements	\$ 225,121	\$ 161,336	\$ 63,785
			\$ 75,041

7. CAPITAL STOCK

a) Share capital

Balance, December 31, 2002	8,000,000	1,158,376
Shares issued in private placement	425,000	39,778
Exercise of options	260,000	52,000
Balance, December 31, 2003	8,685,000	1,250,154
Exercise of options	10,000	2,000
Debt settlement	244,032	323,541
Balance, March 31, 2004	8,939,032	1,575,695

The authorized share capital of the Corporation is comprised of an unlimited number of common shares.

On February 10, 2003, the Corporation completed a non-brokered private placement by issuing 425,000 units of the Corporation (“unit”) at a price of \$0.15 per unit, net of issuance costs of \$6,972, for total proceeds of \$56,778. Each unit consists of one common share of the Corporation and one warrant of the Corporation (“warrant”). Each warrant entitles the holder thereof to purchase one common share of the Corporation at a price of \$0.20 until February 10, 2005. The value ascribed to the warrants was \$17,000.

On March 10, 2004, as part of a debt settlement agreement, the Corporation issued 244,032 common shares to Banro Corporation (“Banro”), a significant shareholder of the Corporation, at a price of 1.35 per share. In exchange for the shares, \$329,443 of debt owed by the Corporation to Banro was settled.

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7. CAPITAL STOCK (continued)

b) Stock option plan

In March 2004, the Board of Directors of the Corporation approved a new stock option plan under which non-transferable options to purchase common shares of the Corporation may be granted by the Board of Directors to any director, officer, employee or consultant of the Corporation or any subsidiary of the Corporation. The new stock option plan contains provisions stating that the term of an option may not be longer than five years, the maximum number of common shares that may be issued pursuant to options granted under the plan is 1,100,000 and the exercise price of an option shall not be lower than the market price of the Corporation's shares at the time of grant. No new options may be granted under the 1999 stock option plan which will be officially terminated upon the expiry, cancellation or exercise of the 260,000 options currently outstanding under such plan.

On January 17, 2003, the Corporation granted options to directors and officers on a total of 310,000 common shares exercisable at \$0.20 per share. These options expire on January 17, 2008. On November 19, 2003, an additional 220,000 stock options were granted to directors, officers and service providers of the Corporation at an exercise price of \$0.50 per share, which expire on November 19, 2008.

As at March 31, 2004, 260,000 stock options were outstanding. There were 270,000 stock options outstanding on December 31, 2003. Subsequent to the period end, on April 14, 2004, under the new stock option plan, the Corporation granted options to acquire 225,000 common shares of the Corporation at an exercise price of \$1.50 per share until April 14, 2009.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2004:

Date of Grant	Number outstanding at 12/31/2003	Option granted during the period	Options Exercised, Expired or Forfeited	Number outstanding at 03/31/04	Options Exercisable at 03/31/04	Exercise price	Expiry Date
01/17/03	50,000	-	10,000	40,000	40,000	\$ 0.20	01/17/08
11/19/03	220,000	-	-	220,000	220,000	\$ 0.50	11/19/08
	270,000	-	10,000	260,000	260,000		

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7. CAPITAL STOCK (continued)

b) Stock option plan (continued)

During 2003, the weighted average grant-date fair value of 470,000 vested stock options granted to employees, directors and officers was \$95,745. No compensation cost was recognized in the income statement for these stock options. Had the fair value of these options been expensed, the net loss for the year ended December 31, 2003 would have been \$541,507 and the basic loss per share would have been \$0.06.

On the date of grant, the weighted average fair value of 60,000 stock options granted to consultants and other service providers was \$25,314. This amount was recognized in the income statement as an expense and was credited accordingly to contributed surplus.

The Black-Scholes option-pricing model was used to estimate the fair values of all stock options granted in 2003 based on the following weighted average information:

- (i) risk-free interest rate: 2.56%
- (ii) expected volatility: 80.30%
- (iii) expected life: 3.04 years
- (iv) expected dividends: \$Nil

c) Warrants

As at March 31, 2004, the Company had 425,000 warrants outstanding as described in note 7(a).

d) (Loss) earnings per share

The (loss) earnings per share figures for 2004 and 2003 are calculated using the weighted average number of shares outstanding during the respective accounting periods amounting to 8,231,389 and 8,231,389 common shares. The calculations of basic and diluted (loss) earnings per share amounts are identical. All common share options were excluded from the calculation of diluted (loss) earnings per share as their effect would have been anti-dilutive.

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8. RELATED PARTY TRANSACTIONS

a) *Due from related parties*

As March 31, 2004, the Corporation had outstanding \$68,700 due from NBI. This amount, which is included in investment and advances on the consolidated balance sheet, was also outstanding at December 31, 2003 and is unsecured, non-interest bearing and repayable upon demand.

b) *Due to related parties*

During the period, the Corporation incurred management fees of \$12,000 to an individual who is an officer and director of the Corporation, for services rendered during the period. As at March 31, 2004, \$56,465 (December 31, 2003 - \$88,818) was payable to directors and officers of the Corporation and to a company wholly-owned by a director of the Corporation.

All amounts due to/from related parties are unsecured, non-interest bearing and repayable upon demand.