

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2004

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number

0-25489

NEVADA STAR RESOURCE CORP.

Yukon Territory, Canada

98-0155690

(State of other jurisdiction of incorporation
or organization)

(I.R.S. Employer
Identification No.)

10735 Stone Avenue North
Seattle, Washington, USA

98133

(Address of principal executive offices)

(Zip Code)

425-467-1836

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes (X) No ()

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.
77,576,262 shares

Transitional Small Business Disclosure Format (check one) Yes () No (X)

NEVADA STAR RESOURCE CORP.
FORM 10-QSB
FOR THE QUARTERLY PERIOD ENDED MAY 31, 2004

PART I. - FINANCIAL INFORMATION

The Registrant falls within the provisions of Rule 13a-13(c)(2) of the Securities Exchange Act of 1934, as amended, and claims exemption thereunder from the requirement to file Part I.

PART II - OTHER INFORMATION

Items deleted are not applicable.

5. Other Information

Stock Option Plan

On April 14, 2004, the TSX Venture Exchange accepted for filing a Stock Option Plan which was previously approved by the shareholders of the Company at the annual general meeting held on January 29, 2004. The Stock Option Plan is structured so that both Incentive Stock Options qualified plan under the U.S. Internal Revenue Code and non qualified stock options may be issued. The maximum number of shares which may be issued under this Stock Option Plan shall not exceed in the aggregate of 7,000,000 common shares.

Granting of Stock Options

On April 23, 2004, 2,600,000 stock options exercisable at a price of US \$0.35 per share for a three-year period and 1,750,000 stock options exercisable at a price of US \$0.32 per share for a three-year period were granted to directors, officers and a consultant of the Company pursuant to the Stock Option Plan. All stock options are subject to vesting over an 18 month period with 1/3 vesting at six months, 1/3 vesting at 12 months and 1/3 vesting at 18 months. These stock options were issued in reliance on the exemptions from registration under Sections 3(b) and/or 4(2) of the Securities Act, and the safe harbor from registration provided in Regulation S.

Committee Charters and Principles

On June 22, 2004, the Board of Directors approved the adoption of an Audit Committee Charter, Compensation Committee Charter, Corporate Governance and Nominating Committee Charter, and Corporate Governance Principles. Copies of the foregoing are available at the Company's website at www.nevadastar.com.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEVADA STAR RESOURCE CORP.

BY: /s/ Robert Angrisano

Date: July 20, 2004

Robert Angrisano, President

BY: /s/ Karen Liu

Date: July 20, 2004

Karen Liu, Principal Financial Officer

EXHIBITS

Exhibit 4.1 – Stock Option Plan

Exhibit 31.1 – Certification required by Rule 13a-14(a) or Rule 15d-14(a), Robert Angrisano

Exhibit 31.2 – Certification required by Rule 13a-14(a) or Rule 15d-14(a), Karen Liu

Exhibit 32.1 – Certification Required by Rule 13a-14(b) or Rule 15d-14(b) and section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, Robert Angrisano

Exhibit 32.2 – Certification Required by Rule 13d-14(b) or Rule 15d-14(b) and section 906 of the Sarbanes-Oxley Act of 2002, 18 US.C. Section 1350, Karen Liu

Exhibit 99.1 – Audit Committee Charter

Exhibit 99.2 – Compensation Committee Charter

Exhibit 99.3 – Corporate Governance and Nominating Committee Charter

Exhibit 99.4 – Corporate Governance Principles

EXHIBIT 4.1

NEVADA STAR RESOURCE CORP. (the "Company")

SHARE OPTION PLAN

Dated for Reference December 31, 2003

ARTICLE 1 PURPOSE AND INTERPRETATION

Purpose

- 1.1 The purpose of this Plan is to advance the interests of the Company by encouraging equity participation in the Company through the acquisition of Common Shares. It is the intention of the Company that this Plan will at all times be in compliance with the rules and policies of the TSX Venture Exchange (the "TSX") (the "TSX Policies") and any inconsistencies between this Plan and the TSX Policies whether due to inadvertence or changes in TSX Policies will be resolved in favour of the latter.

Definitions

- 1.2 In this Plan

Administrator means the Board or any of its Committees as shall be administering the Plan.

Affiliate means a company that is a parent or subsidiary of the Company, or that is controlled by the same entity as the Company;

Associate has the meaning assigned by the Securities Act;

Board means the board of directors of the Company or any committee thereof duly empowered or authorized to grant options under this Plan;

Change of Control includes situations where after giving effect to the contemplated transaction and as a result of such transaction:

- (i) any one Person holds a sufficient number of voting shares of the Company or resulting company to affect materially the control of the Company or resulting company, or;
- (ii) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold in total a sufficient number of voting shares of the Company or its successor to affect materially the control of the Company or its successor,

where such Person or combination of Persons did not previously hold a sufficient number of voting shares to affect materially control of the Company or its successor. In the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, holding more than 20% of the voting shares of the Company or its successor is deemed to materially affect the control of the Company or its successor;

Code means the U.S. Internal Revenue Code of 1986, as amended.

Common Shares or **Common Stock** means Common shares without par value in the capital of the Company providing such class is listed on the TSX Venture Exchange (the "TSX");

Company means Nevada Star Resource Corp. and includes, unless the context otherwise requires, all of its subsidiaries or affiliates and successors according to law;

Consultant means a Person or Consultant Company, other than an Employee, Officer or Director that:

- (i) provides ongoing bona fide consulting, technical, managerial or like services to the Company or an Affiliate of the Company, other than services provided in relation to a Distribution;
- (ii) provides the services under a written contract between the Company or an Affiliate and the Person or the Consultant Company;
- (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the business and affairs of the Company or an Affiliate of the Company; and
- (iv) has a relationship with the Company or an Affiliate that enables the Person or Consultant Company to be knowledgeable about the business and affairs of the Company;

Consultant Company means for a Person who is a Consultant, a company or partnership of which the Person is an employee, shareholder or partner;

Directors means the directors of the Company;

Discounted Market Price has the meaning assigned by Policy 1.1 of the TSX Policies;

Disinterested Shareholder Approval means approval by a majority of the votes cast by all the Company's shareholders at a duly constituted shareholders' meeting, excluding votes attached to shares beneficially owned by Service Providers or their Associates;

Distribution has the meaning assigned by the Securities Act, and generally refers to a distribution of securities by the Company from treasury;

Effective Date for an Option means the date of the approval of the grant thereof by the Board;

Employee means:

- (a) a Person who is considered an employee under the Income Tax Act (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source);
- (b) a Person who works full-time for the Company or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source; or
- (c) a Person who works for the Company or its subsidiary on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions need not be made at source;

Exercise Price means the amount payable per Common Share on the exercise of an Option, as noted on the Option Commitment;

Expiry Date means the day on which an Option lapses as specified in the associated Option Commitment or in accordance with the terms of this Plan;

Fair Market Value means, as of any date, the value of Common Stock determined as follows:

- (i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the TSX, NASDAQ National Market, The NASDAQ SmallCap Market of The NASDAQ Stock Market or on the NASDAQ supervised OTC Bulletin Board, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;
- (ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the day of determination; or
- (iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

Incentive Stock Option means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

Insider means

- (i) an insider as defined in the TSX Policies or as defined in securities legislation applicable to the Company;
- (ii) an Associate of any person who is an Insider by virtue of §(i) above;

Investor Relations Activities has the meaning assigned by Policy 1.1 of the TSX Policies, and means generally any activities or communications that can reasonably be seen to be intended to or be primarily intended to promote the merits or awareness of or the purchase or sale of securities of the Company;

Listed Shares means the number of issued and outstanding shares of the Company that have been accepted for listing on the TSX at the date of grant, but excluding dilutive securities not yet converted into Listed Shares;

Management Company Employee means a Person employed by another Person or a corporation providing management services to the Company which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a corporation or Person engaged primarily in Investor Relations Activities;

Nonstatutory Stock Option means an Option not intended to qualify as an Incentive Stock Option.

Officer means a duly appointed senior office of the Company;

Option means the right to purchase Common Shares granted hereunder by the Company to a Service Provider;

Option Commitment means the notice of grant of an Option delivered by the Company hereunder to a Service Provider, substantially in the form of Schedule “A” hereto;

Optioned Shares means Common Shares that may be issued in the future to a Service Provider upon the exercise of an Option;

Optionee means the recipient of an Option hereunder;

Outstanding Shares means at the relevant time, the number of outstanding Common Shares of the Company from time to time;

Participant means a Service Provider that becomes an Optionee;

Person means a company or an individual;

Plan means this Option plan as amended;

Plan Shares means the total number of Common Shares which may be reserved for issuance as Optioned Shares under the Plan as provided in §2.2;

Regulatory Approval means the approval of the TSX and any other securities regulatory authority that may have lawful jurisdiction over the Plan and any Options issued hereunder;

Securities Act means the *Securities Act*, R.S.B.C. 1996, c. 418, as amended from time to time;

Service Provider means a Person who is a bona fide Director, Officer, Employee, Management Company Employee or Consultant, and also includes a company, of which 100% of the share capital is beneficially owned by one or more Service Providers;

Share Compensation Arrangement means any Option under this Plan but also includes any other stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism contemplating the issuance of Common Shares to a Service Provider;

Shareholder Approval means approval by a majority of the votes cast by eligible shareholders at a duly constituted shareholders' meeting;

Tier 1 and **Tier 2** have the meaning assigned to those terms by the TSX Policies;

TSX means the TSX Venture Exchange and any successor thereto; and

TSX Policies means the rules and policies of the TSX as amended from time to time.

ARTICLE 2 SHARE OPTION PLAN

Establishment of Share Option Plan

- 2.1 There is hereby established an Option plan to recognize contributions made by Service Providers and to create an incentive for their continuing assistance to the Company and its Affiliates. Unless otherwise agreed by the holders thereof, any share options granted by the Company before the date of this Plan, are not included hereunder or affected hereby. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant.

Maximum Plan Shares

- 2.2 The initial maximum number of Plan Shares that may be reserved for issuance under the Plan is **7,000,000** Common Shares. The Company, from time to time, may grant Options to purchase Plan Shares, subject to regulatory approval, to be made available from authorized, but unissued, Plan Shares. At the inception of this Plan the Company had **1,050,000** stock options outstanding resulting in **5,950,000** Common Shares remaining issuable under the Plan from inception. The maximum number of Shares issuable under the Plan shall be adjusted, where necessary, to take account of the events referred to in §3.10 hereof. In no event will the maximum number of Plan Shares, or otherwise, exceed 20% of the Issued Common Shares of the Company and no individual can receive grants greater than 5% of the Issued Common Shares of the Company on a yearly basis. After this Plan becomes effective all Options issued by the Company must be made pursuant to the terms of this Plan until the Plan is terminated.

Eligibility

- 2.3 Options to purchase Common Shares may be granted hereunder to Service Providers from time to time by the Board. Service Providers that are corporate entities will be required to undertake in writing not to effect or permit any transfer of ownership or option of any of its shares, nor issue more shares (so as to indirectly transfer the benefits of an Option), as long as such Option remains outstanding, unless the written permission of the TSX and the Company is obtained.

Options Granted

- 2.4 All options granted under the Plan will be evidenced by an Option Commitment in the form attached as Schedule "A", showing the number of Optioned Shares, the term of the Option, a reference to vesting terms, if any, and the Exercise Price.
- 2.5 Subject to specific variations approved by the Board, all terms and conditions set out herein will be deemed to be incorporated into and form part of an Option Commitment provided hereunder.

Limitations On Issue

- 2.6 Subject to §2.9, the following restrictions on issuances of Options are applicable under the Plan:
- (a) no Service Provider can be granted an Option if that Option would result in the total number of Options, together with all other Share Compensation Arrangements granted to such Service Provider in the previous 12 months, exceeding 5% of the Listed Shares (unless the Company is classified as a Tier 1 Issuer by the TSX and has obtained Disinterested Shareholder Approval under §2.9 (a)(iii) to do so);
 - (b) no Options can be granted under the Plan if the Company is designated "Inactive"(as defined in TSX Policy) by the TSX;
 - (c) the aggregate number of Options granted to Service Providers conducting Investor Relations Activities in any 12 month period must not exceed 2% of the Listed Shares, calculated at the time of grant, without the prior consent of TSX; and
 - (d) the aggregate number of options granted to any one Consultant in any 12-month period must not exceed 2% of the Listed Shares, calculated at the time of grant, without the prior consent of TSX.
 - (e) each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds \$100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section, Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

Options Not Exercised

- 2.7 In the event that an Option granted under the Plan expires unexercised or is terminated by reason of dismissal of the Optionee for cause or is otherwise lawfully cancelled prior to the exercise of the Option, the Optioned Shares that were issuable thereunder will be returned to the Plan and will be eligible for re-issue.

Powers of the Board

- 2.8 The Board will be responsible for the general administration of the Plan and the proper execution of its provisions, the interpretation of the Plan and the determination of all questions arising thereunder. Without limiting the generality of the foregoing, the Board has the power to
- (a) allot Common Shares for issuance in connection with the exercise of Options;
 - (b) grant Options hereunder;
 - (c) subject to Regulatory Approval, amend, suspend, terminate or discontinue the Plan, or revoke or alter any action taken in connection therewith, except that no general amendment or suspension of the Plan will, without written consent of all Optionees, alter or impair any Option previously granted under the Plan unless as a result of a change in TSX Policies or the Company's tier classification thereunder;
 - (d) may in its sole discretion amend this Plan (except for previously granted and outstanding Options) to reduce the benefits that may be granted to Service Providers (before a particular Option is granted) subject to the other terms hereof.

Terms or Amendments Requiring Disinterested Shareholder Approval

- 2.9 The Company will be required to obtain prior Disinterested Shareholder Approval if:
- (a) the Plan, together with all of the Company's previously established and outstanding stock option plans or grants, could result at any time in:
 - (i) the aggregate number of shares reserved for issuance under stock options granted to Insiders exceeding 10% of the Listed Shares;
 - (ii) the number of Optioned Shares Issued to Insiders within a one-year period exceeding 10% of the Listed Shares; or
 - (iii) in the case of a Tier 1 company only, the issuance to any one Optionee, within a 12 month period, of a number of shares exceeding 5% of Listed Shares; or
 - (b) it is proposed by the Board to reduce the Exercise Price of an Option previously granted to an Insider.

Shareholder Approval

- 2.10 The Plan shall be subject to approval by the shareholders of the Company within twelve (12) months after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under Applicable Laws.

ARTICLE 3 TERMS AND CONDITIONS OF OPTIONS

Exercise Price

- 3.1 The Exercise Price of an Option will be set by the Board at the time such Option is allocated under the Plan, and cannot be less than the Discounted Market Price.
- 3.2 The per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:
- (a) In the case of an Incentive Stock Option:

- (i) granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.
- (ii) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.
- (b) In the case of a Nonstatutory Stock Option, the per Share exercise price shall be determined by the Administrator.
- (c) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to an assumption or substitution of another option in connection with a merger or other corporate transaction.

Term of Option

- 3.3 An Option can be exercisable for a maximum of 10 years from the Effective Date for a Tier 1 company, or five years from the Effective Date for a Tier 2 company. The term of each Option shall be stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Option Agreement.

Option Amendment

- 3.4 Subject to §2.9(b), the Exercise Price of an Option may be amended only if at least six (6) months have elapsed since the later of the date of commencement of the term of the Option, the date the Company's shares commenced trading on the TSX, or the date of the last amendment of the Exercise Price.
- 3.5 An Option must be outstanding for at least one year before the Company may extend its term, subject to the limits contained in §3.2.
- 3.6 Any proposed amendment to the terms of an Option must be approved by the TSX prior to the exercise of such Option.

Vesting of Options

- 3.7 Subject to §3.7, vesting of Options is otherwise at the discretion of the Board, and will generally be subject to:
 - (a) the Service Provider remaining employed by or continuing to provide services to the Company or any of its subsidiaries and Affiliates as well as, at the discretion of the Board, achieving certain milestones which may be defined by the Board from time to time during the vesting period or;
 - (b) remaining a Service Provider of the Company or any of its subsidiaries or Affiliates during any vesting period.
- 3.8 If the Company is a Tier 2 company and the Plan Shares exceed 10% of the Listed Shares, any Options granted under the Plan will vest in accordance with the vesting schedule attached as Schedule B and may be exercised only after vesting.

Vesting of Options Granted for Investor Relations Activities

- 3.9 Subject to §3.7, Options granted to Consultants conducting Investor Relations Activities will vest:
- (a) over a period of not less than 12 months as to 25% on the date that is three months from the date of grant, and a further 25% on each successive date that is three months from the date of the previous vesting; or
 - (b) such longer vesting period as the Board may determine.

Variation of Vesting Periods

- 3.10 At the time that an Option is granted which carries vesting provisions, the Board may vary such vesting provisions, subject to Regulatory Approval.

Optionee Ceasing to be Director, Employee or Service Provider

- 3.11 No Option may be exercised after the Service Provider has left the employ/office or has been advised his services are no longer required or his service contract has expired, except as follows:
- (a) in the case of the death of an Optionee, any vested Option held by him at the date of death will become exercisable by the Optionee's lawful personal representatives, heirs or executors until the earlier of one year after the date of death of such Optionee and the date of expiration of the term otherwise applicable to such Option;
 - (b) in the case of a Tier 1 company, Options granted to any Service Provider must expire within 90 days after the date the Optionee ceases to be employed with or provide services to the Company, but only to the extent that any part of the Option has vested at the date the Optionee ceased to be so employed or to provide services to the Company;
 - (c) in the case of a Tier 2 company, Options granted to a Service Provider conducting Investor Relations Activities must expire within 30 days of the date the Optionee ceases to conduct such activities, but only to the extent that any part of the Option has vested at the date the Optionee ceased to conduct such activities;
 - (d) in the case of a Tier 2 company, Options granted to an Optionee other than one conducting Investor Relations Activities must expire within 90 days after the Optionee ceases to be employed with or provide services to the Company, but only to the extent at the date the Optionee ceased to be so employed or to provide services to the Company; and
 - (e) in the case of an Optionee being dismissed from employment or service for cause such Optionee's Options, whether or not vested at the date of dismissal will immediately terminate without any right by the Optionee to exercise same.

Termination of Incentive Stock Options

- 3.12 To the extent not earlier exercised, an Incentive Stock option shall terminate at the earliest of the following dates:
- (a) The date specified in such Incentive Stock Option, which date shall not be extended for any reason;
 - (b) One (1) year following the date of termination of the Optionee's employment with the Company on account of (a) the Optionee's demise, or (b) the Optionee's disability, as defined in Section 22(e)(3) of the Code (herein referred to as "Disability");

- (c) Three (3) months following the date of termination of the Optionee's employment with the Company for any reason other than the Optionee's demise or Disability;
- (d) The date of any sale, transfer or hypothecation, or any attempted sale, transfer or hypothecation, of the Incentive Stock Option, by the Optionee or his or her Qualified Successor;
- (e) If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then three (3) months following the 90th day of such leave, any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company

Non Assignable

- 3.13 Subject to §3.11(a), Options will be exercisable only by the Optionee to whom they are granted and will not be assignable or transferable.

Adjustment of the Number of Optioned Shares

- 3.14 The number of Common Shares subject to an Option will be subject to adjustment in the events and in the manner following:
- (a) in the event of a subdivision of Common Shares as constituted on the date hereof, at any time while an Option is in effect, into a greater number of Common Shares, the Company will thereafter deliver at the time of purchase of Optioned Shares hereunder, in addition to the number of Optioned Shares in respect of which the right to purchase is then being exercised, such additional number of Common Shares as result from the subdivision without an Optionee making any additional payment or giving any other consideration therefore;
 - (b) in the event of a consolidation of the Common Shares as constituted on the date hereof, at any time while an Option is in effect, into a lesser number of Common Shares, the Company will thereafter deliver and an Optionee will accept, at the time of purchase of Optioned Shares hereunder, in lieu of the number of Optioned Shares in respect of which the right to purchase is then being exercised, the lesser number of Common Shares as result from the consolidation;
 - (c) in the event of any change of the Common Shares as constituted on the date hereof, at any time while an Option is in effect, the Company will thereafter deliver at the time of purchase of Optioned Shares hereunder the number of shares of the appropriate class resulting from the said change as an Optionee would have been entitled to receive in respect of the number of Common Shares so purchased had the right to purchase being exercised before such change;
 - (d) in the event of a capital reorganization, reclassification or change of outstanding equity shares (other than a change in the par value thereof) of the Company, a consolidation, merger or amalgamation of the Company with or into any other company or a sale of the property of the Company as or substantially as an entirety at any time while an Option is in effect, an Optionee will thereafter have the right to purchase and receive, in lieu of the Optioned Shares immediately theretofore purchasable and receivable upon the exercise of the Option, the kind and amount of shares and other securities and property receivable upon such capital reorganization, reclassification, change, consolidation, merger, amalgamation or sale which the holder of a number of Common Shares equal to the number of optioned Shares immediately theretofore purchasable and receivable upon the exercise of the Option would have received as a result thereof. The subdivision or consolidation of Common Shares at any time outstanding (whether with or without par value) will not be deemed to be a capital reorganization or a reclassification of the capital of the Company for the purposes of this §3.12(d);

- (e) an adjustment will take effect at the time of the event giving rise to the adjustment, and the adjustments provided for in this Section are cumulative;
- (f) the Company will not be required to issue fractional shares in satisfaction of its obligations hereunder. Any fractional interest in a Common Share that would, except for the provisions of this §3.12(f), be deliverable upon the exercise of an Option be cancelled and not be deliverable by the Company; and
- (g) if any questions arise at any time with respect to the Exercise Price or number of Optioned Shares deliverable upon exercise of an Option in any of the events set out in this §3.12, such questions will be conclusively determined by the Company's auditors, or, if they decline to so act, any other firm of Chartered Accountants, in Vancouver, British Columbia (or in the city of the Company's principal executive office) that the Company may designate and who will have access to all appropriate records and such determination will be binding upon the Company and all Optionees.

ARTICLE 4

COMMITMENT AND EXERCISE PROCEDURES

Option Commitment

- 4.1 Upon the granting of an Option hereunder, an authorized officer of the Company will deliver to the Optionee an Option Commitment detailing the terms of such Option and upon such delivery the Optionee will be subject to the Plan and have the right to purchase the Optioned Shares at the Exercise Price set out therein subject to the terms and conditions hereof.

Manner of Exercise

- 4.2 An Optionee who wishes to exercise his Option may do so by delivering
- (a) a written notice to the Company specifying the number of Optioned Shares being acquired pursuant to the Option; and
 - (b) cash or a certified cheque payable to the Company for the aggregate Exercise Price for the Optioned Shares being acquired.

Delivery of Certificate and Hold Periods

- 4.3 As soon as practicable after the receipt of the notice of exercise described in §4.2 and payment in full for the Optioned Shares being acquired, the Company will direct its transfer agent to issue a certificate to the Optionee for the appropriate number of Optioned Shares. Such certificate issued will bear a legend stipulating any resale restrictions required under applicable securities laws. Further, if the Company is listed on Tier 2 of the TSX, or the Exercise Price set out below the current market price of the Common Shares on the TSX; the certificate will also bear a legend stipulating that the Optioned Shares are subject to a concurrent four-month TSX hold period commencing the date of the Option Commitment.

ARTICLE 5

GENERAL

Employment and Services

- 5.1 Nothing contained in the Plan will confer upon or imply in favour of any Optionee any right with respect to office, employment or provision of services with the Company, or interfere in any way with the right of the Company to lawfully terminate the Optionee's office, employment or service at any time pursuant to the arrangements pertaining to same. Participation in the Plan by an Optionee is voluntary.

No Representation or Warranty

- 5.2 The Company makes no representation or warranty as to the future market value of Common Shares issued in accordance with the provisions of the Plan or to the effect of the *Income Tax Act* (Canada) or any other taxing statute governing the Options or the Common Shares issuable thereunder or the tax consequences to a Service Provider. Compliance with applicable securities laws as to the disclosure and resale obligations of each Participant is the responsibility of such Participant and not the Company.

Interpretation

- 5.3 The Plan will be governed and construed in accordance with the laws of the Province of British Columbia.

Interpretation

- 5.4 The Board reserves the right, in its absolute discretion, to at any time amend, modify or terminate the Plan with respect to all Common Shares in respect of Options which have not yet been granted hereunder. Any amendment to any provision of the Plan will be subject to any required Regulatory Approval unless the effect of such amendment is intended to reduce (but not to increase) the benefits of this Plan to Service Providers.

SCHEDULE "A"
SHARE OPTION PLAN
OPTION COMMITMENT

Notice is hereby given that, effective this ____ day of _____, _____ (the "Effective Date") **Nevada Star Resource Corp.** (the "Company") has granted to _____ (the "Service Provider"), an Option to acquire _____ Common Shares ("Optioned Shares") up to 5:00 p.m. Vancouver Time on the _____ day of _____, _____ (the "Expiry Date") at an Exercise Price of Cdn\$ _____ per share. The grant of the Option evidenced hereby is made subject to the terms and conditions of the Company's Share Option Plan, the terms and conditions of which are hereby incorporated herein.

At the date of grant of the Option, the Company is classified as a Tier ____ company under TSX Policies. The Option is hereby granted:

- ☐ In accordance with the vesting provisions set out in Schedule B of the Plan;
- or
- ☐ The following vesting provisions:
- or
- ☐ No vesting restrictions applicable.

The Option is intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the U.S. Internal Revenue Code of 1986, as amended.

- ☐ Yes ☐ No

To exercise your Option, deliver a written notice specifying the number of Optioned Shares you wish to acquire, together with cash or a certified cheque payable to the Company for the aggregate Exercise Price, to the Company. A certificate for the Optioned Shares so acquired will be issued by the transfer agent as soon as practicable thereafter and will bear a minimum four month non-transferability legend from the date of this Option Commitment. [A Tier 1 company may grant stock options without a hold period provided the exercise price of the options is set at or above the Market Price of the Company's shares.]

The Company and the Service Provider represent that the Service Provider under the terms and conditions of the Plan is a bona fide [DIRECTOR/ OFFICER/ EMPLOYEE/ CONSULTANT/ MANAGEMENET COMPANY EMPLOYEE] (mark applicable relationship) of the Company, entitled to receive Options under TSX Policies.

NEVADA STAR RESOURCE CORP.

Authorized Signatory

SCHEDULE B

SHARE OPTION PLAN

VESTING SCHEDULE

1. Options granted pursuant to the Plan to Directors, Officers and all Employees employed by the Company for a period of more than six months at the time the Option is granted will vest as follows:
 - (a) 1/3 of the total number of Options granted will vest six months after the date of grant;
 - (b) a further 1/3 of the total number of Options granted will vest one year after the date of grant; and
 - (c) the remaining 1/3 of the total number of Options granted will vest eighteen months after the date of grant.
2. Options granted pursuant to the Plan to an Employee who has been employed by the Company for a period of less than six months at the time the Option is granted will vest as follows:
 - (a) 1/3 of the total number of Options granted will vest one year after the date of grant;
 - (b) a further 1/3 of the total number of Options granted will vest eighteen months after the date of grant; and
 - (c) the remaining 1/3 of the total number of Options granted will vest two years after the date of grant.
3. Options granted to Consultants retained by the Company pursuant to a short term contract for a specific project with a finite term, will be subject to such vesting provisions determined by the Board of Directors of the Company at the time the Option Commitment is made, subject to Regulatory Approval.

EXHIBIT 31.1
CERTIFICATION

Robert Angrisano, President and Principal Executive Officer

I, Robert Angrisano, certify that:

- (1) I have reviewed this quarterly report on Form 10-QSB of Nevada Star Resource Corp;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
- (4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
- (5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: July 20, 2004

/s/ Robert Angrisano

Robert Angrisano, Principal Executive Officer

EXHIBIT 31.2
CERTIFICATION

Karen Liu, Corporate Secretary and Principal Financial Officer

I, Karen Liu, certify that:

- (1) I have reviewed this quarterly report on Form 10-QSB of Nevada Star Resource Corp;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
- (4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
- (5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: July 20, 2004

/s/ Karen Liu

Karen Liu, Principal Financial Officer

EXHIBIT 32.1

CERTIFICATION REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Nevada Star Resource Corp., a Yukon Territory, Canada corporation, (the “Company”) hereby certifies to such officer’s knowledge that:

1. This quarterly report on Form 10-QSB of Nevada Star Resource Corp. fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in this quarterly report fairly presents, in all material respects, the financial condition and results of operations of Nevada Star Resource Corp.

Date: July 20, 2004

/s/ Robert Angrisano

Robert Angrisano, Principal Executive Officer

EXHIBIT 32.2

CERTIFICATION REQUIRED BY RULE 13a-14(b) OR RULE 15d-14(b) AND SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Nevada Star Resource Corp., a Yukon Territory, Canada corporation, (the “Company”) hereby certifies to such officer’s knowledge that

1. This quarterly report on Form 10-QSB of Nevada Star Resource Corp. fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in this quarterly report fairly presents, in all material respects, the financial condition and results of operations of Nevada Star Resource Corp.

Date: July 20, 2004

/s/ Karen Liu

Karen Liu, Principal Financial Officer

EXHIBIT 99.1



AUDIT COMMITTEE CHARTER

Introduction and Purpose

Nevada Star Resources Corp. (the “Company”) is a publicly-held company and operates in a highly competitive and regulated environment. The Company’s business involves an environment that is highly regulated at both the federal and state level in the United States and the provincial level in Canada.

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities to the shareholders, potential investors and to the investment community. The Audit Committee will assist the Board in the oversight of (1) the integrity of the financial statements of the Company, (2) the independent auditor’s qualifications and independence, and (3) the compliance by the Company with legal and regulatory requirements.

Composition and Membership

The Audit Committee shall be comprised of at least three (3) members, all of whom shall meet the independence requirements as established by the TSX Venture Exchange, the NASDAQ Stock Market, applicable laws, rules and regulations of the Securities and Exchange Commission. Audit Committee members shall fully comply with the requirements of the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission’s implementing regulations. At least one member of the Audit Committee shall be an “audit committee financial expert” as that term is defined in applicable rules. Members and a Chair of the Audit Committee shall be recommended by the Corporate Governance and Nominating Committee and appointed by the full Board of Directors.

Meetings

The Audit Committee shall meet at least four (4) times annually, in person, telephonically, or electronically and more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting.

Responsibilities and Duties

The Audit Committee shall:

- Make regular reports to the Board of Directors of the Company.
- Appoint the independent auditors to be engaged by the Company, establish the audit fees of the independent auditors, pre-approve any non-audit services provided by the independent auditors, including tax services, before the services are rendered.
- Review the scope of the independent auditor’s audit examination, including their engagement letter, prior to the annual audit of the Company’s financial statements.

- Instruct the independent auditors to report directly to the Audit Committee any serious difficulties or disputes with management, and ensure they are appropriately resolved.
- Review and evaluate the performance of the independent auditors and review with the Board of Directors all proposed discharges of the independent auditors.
- Review each annual audit with the independent auditor at the conclusion of the audit. The review shall include all comments or recommendations of the independent auditor, all audit problems or difficulties and management's response.
- Review and discuss with management the procedures undertaken in connection with the required certifications for regulatory filings and other reports including their evaluation of the Company's disclosure controls and procedures and internal controls, as well as any and all fraud, whether or not material, that involves management or others who have a significant role in the Company's internal controls.
- Review management's assessment of the effectiveness of the Company's internal controls over financial reporting and disclosure, and the independent auditor's related attestation. Consider with management and the independent auditors whether any changes to such internal controls are appropriate.
- Review with management the Company's quarterly and annual financial results prior to regulatory filings and the issuance of related press releases.
- Produce the report of the Audit Committee to the shareholders in the Company's annual proxy statement on those matters required by regulatory agencies.
- Be authorized to hire outside counsel or other consultants as necessary.
- Perform such other duties as are assigned by the Board of Directors.
- Review the Audit Committee's charter annually and recommend all proposed changes to the Board of Directors.
- Periodically evaluate and take steps to improve the effectiveness of the Audit Committee in meeting its responsibilities under this Charter.

Public Disclosure

This Charter shall be included on the Company's website. The Company's annual report to shareholders will state that this Charter is available on the Company's website and will be available upon request to the Company's Corporate Secretary.



COMPENSATION COMMITTEE CHARTER

Introduction and Purpose

The Compensation Committee (the “Committee”) shall be responsible for setting and administering the policies and programs that govern both annual compensation and stock option programs for the executive officers and directors of the Company. The Committee shall also be responsible for providing oversight with regard to the Company’s various programs of compensation, including all incentive plans, stock option plans and stock purchase plans.

Composition and Membership

The Committee shall be composed entirely of Outside Directors who also meet the test for independence as set forth by the rules and regulations of the TSX Venture Exchange, the NADAQ Stock Market and the Securities and Exchange Commission.

Meetings

The Committee shall meet in person, telephonically or electronically at least twice during the year for purposes of performing its duties.

Responsibilities and Duties

The purpose and duties of the Committee shall include, but not be limited to, the following:

- To review and report to the Board on the Company’s programs for attracting, retaining and promoting executives and for developing future senior management;
- To review and make recommendations to the Board regarding compensation for the chief executive officer, other executive level officers and directors;
- To establish the process for the Board to evaluate the performance of the chief executive officer and other corporate officers;
- To review appropriate performance targets, participation and level of awards for incentive award plans;
- To review, approve and report to the Board concerning administration of compensation plans and compensation for executives at specified salary grade levels and monitor the Company’s benefit plans;
- To review, determine and recommend to the Board appropriate compensation for directors;
- To produce, review and approve reports of the Committee required by the rules of the Securities and Exchange Commission, NASDAQ Stock Exchange and the TSX Venture Exchange;

- To review and assess the adequacy of and update, if necessary, this Compensation Committee Charter annually;
- To request and review such reports from management as it may require in carrying out its assigned responsibilities and advise the full Board of Directors as to the Committee's oversight functions; and
- To undertake from time to time such additional activities within the scope of the Committee's primary functions as it may deem appropriate.

Public Disclosure and Website Publication

This Charter shall be included on the Company's website. The Company's annual report to shareholders will state that this Charter is available on the Company's website and will be available upon request to the Company's Corporate Secretary.

Adoption

The Board of Directors of the Company has adopted this charter on the 22nd day of June, 2004.

EXHIBIT 99.3



CORPORATE GOVERNANCE AND NOMINATING COMMITTEE CHARTER

INTRODUCTION AND PURPOSE

Nevada Star Resource Corp. (the “Company”) is a publicly-held company and operates in a highly competitive and regulated environment. The Company’s business involves an environment that is highly regulated at both the federal and state level in the United States and the provincial level in Canada. To assist the Board of Directors (the “Board”) in its responsibilities relating to reviewing the Company’s operational compliance with applicable legal requirements and sound ethical standards, the Board has created a Corporate Governance and Nominating Committee (the “Committee”).

COMPOSITION AND MEMBERSHIP

The Committee shall be comprised of three or more directors, each of whom the Board has determined meets the independence requirements of the TSX Venture Exchange (“TSX-V”), NASDAQ Stock Exchange (“NASDAQ”) and the Securities and Exchange Commission (the “SEC”). The members of the Committee are appointed by the Board at the annual organizational meeting of the Board and serve until their successors are duly appointed and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

MEETINGS

The Committee shall meet annually or more frequently in person, telephonically or electronically as circumstances dictate. A majority of the Committee members currently holding office constitutes a quorum for the transaction of business. The Committee shall take action by the affirmative vote of a majority of the Committee members present at a duly held meeting.

RESPONSIBILITIES AND DUTIES

The Committee shall undertake the following responsibilities and duties:

Development of Guidelines and Procedures

- Oversee the development, issuance and distribution and review of appropriate ethics and legal compliance guidelines and procedures.
- Oversee the development and implementation of guidelines and procedures to ensure satisfactory relationships with the Company’s principal regulatory authorities.
- Oversee the development and implementation of employee communication and training on ethics and compliance issues.

Ensure Adequate Guidance, Reporting and Investigation Processes

- Monitor and review periodically the systems that management has established to implement the Company's ethics and compliance guidelines.
- Ensure that the Company maintains clear channels of communication.
- Oversee receiving periodic reports regarding investigations of compliance violations.
- Ensure that business units have processes in place for receiving and investigating reports of compliance violations, and advising the Committee of these reports.
- Review with the Company's General Counsel legal compliance matters, including corporate securities trading policies.
- Review current/pending litigation and regulatory proceedings bearing on corporate governance in which the Company is a party.

Monitor Compliance with Compliance Guidelines and Ethics Policies

- Ensure that appropriate internal and/or external audits and surveys are conducted to verify adherence to Company compliance guidelines and procedures.
- Commission special audits as necessary to verify adherence to the Company's compliance guidelines and procedures.
- Review significant cases of employee conflict of interest and related-party transactions, misconduct or fraud.
- Monitor audits/examinations by governmental or other regulatory agencies.

Evaluation and Recommendation of Board Membership

- Evaluate and make recommendations to the full Board of Directors concerning the number and accountability of Board committees, committee assignments and committee membership rotation practices.
- Establish and articulate qualifications, desired background, and selection criteria for members of the Board of Directors in accordance with relevant law, TSX Venture Exchange policies and NASDAQ Stock Exchange and Securities and Exchange Commission requirements.
- Make recommendations to the full Board of Directors concerning all nominees for Board membership, including the re-election of existing Board members. The Committee may retain any reputable search firm to be used to identify director candidates. The Committee has the sole authority to retain and terminate search firms and approve the search firm's fees and other retention terms.
- On an annual basis, solicit input from the full Board of Directors and conduct a review of the effectiveness of the operation of the Board, Board committees and individual Board members, including reviewing and monitoring compliance with governance and operating practices and the Corporate Governance Principles.

Governance and Evaluation

- Guide the directors in the evaluation of corporate governance as and when appropriate.
- Develop and recommend to the Board of Directors a set of corporate governance principles applicable to the Company and review these principles at least annually.
- Report to the Board summarizing the Committee's actions and any significant issues considered by the Committee.
- Perform such other functions as assigned by law, the Company's Articles of Incorporation or Bylaws, or the Board.

DELEGATION TO SUBCOMMITTEES

The Committee may, in its discretion, form and delegate authority to subcommittees when appropriate.

PERFORMANCE EVALUATION

The Committee shall, from time to time, conduct an evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this charter. The performance evaluation shall also include a review of the adequacy of this charter and shall recommend to the Board any revisions to this charter deemed necessary or desirable, although the Board shall have the sole authority to amend this charter. The performance evaluation shall be conducted in such a manner as the Committee deems appropriate.

PUBLIC DISCLOSURE AND WEBSITE PUBLICATION

This Charter shall be included on the Company's website. The Company's annual report to shareholders will state that this Charter is available on the Company's website and will be available upon request to the Company's Corporate Secretary.

ADOPTION

The Board of Directors of the Company has adopted this charter on the 22nd day of June, 2004.

EXHIBIT 99.4



CORPORATE GOVERNANCE PRINCIPLES

BOARD MISSION AND OBJECTIVES

Mission Statement

The Company's primary objective is to maximize long-term stockholder value while adhering to the laws of the jurisdictions wherein it operates and at all times observing the highest ethical standards.

CORPORATE AUTHORITY AND RESPONSIBILITY

All corporate authority resides in the Board of Directors as the representative of the stockholders. Authority is delegated to management by the Board in order to implement the Company's mission. Such delegated authority includes the authorization of spending limits and the authority to hire employees and terminate their services. The Board retains responsibility to recommend candidates to the stockholders for election to the Board of Directors. The Board retains responsibility for selection and evaluation of the CEO and President, oversight of the succession plan, determination of senior management compensation, approval of the annual budget, assurance of adequate systems, procedures and controls, as well as assisting in the preparation and approval of the strategic plan. Additionally, the Board provides advice and counsel to senior management. The Board may exercise its authority through committees of the Board.

DIRECTORS

Personal Characteristics & Core Competencies of Directors:

Individual Directors should possess all of the following personal characteristics:

- Integrity and Accountability - Character is the primary consideration in evaluating any Director. Directors should demonstrate high ethical standards and integrity in their personal and professional dealings and be willing to act on and remain accountable for their Boardroom decisions.
- Informed Judgment - Directors should have the ability to provide wise, thoughtful counsel on a broad range of issues. Directors should possess high intelligence and wisdom and apply it in decision making.
- Financial Literacy - One of the important roles of the Board is to monitor the Company's financial performance. Directors should be financially literate. Directors should know how to read a balance sheet, income statement, cash flow statement and understand the use of financial ratios and other indices for evaluating company performance.
- Mature Confidence - The Board functions best when Directors value Board and team performance over individual performance. Openness to other opinions and the willingness to listen should rank as highly as the ability to communicate persuasively. Directors should approach others assertively, responsibly and supportively and identify issues in a manner that encourages open discussion.

- High Performance Standards - In today's highly competitive world, only companies capable of performing at the highest levels are likely to prosper. Directors should have a history of achievements that reflect high standards for themselves and others.
- Passion - Directors should be passionate about the performance of the Company both in absolute terms and relative to its peers. That passion should manifest itself in engaged debate about the future of the Company and an esprit de corps among the Board that both challenges and inspires.

Core Competencies of the Board as a Whole

To adequately fulfill the Board's complex roles, from overseeing the audit and monitoring managerial performance to responding to crises and approving the Company's strategic plan, a host of core competencies need to be represented on the Board. The Board as a whole should possess the following core competencies, with each member contributing knowledge, experience and skills in one or more domains:

- Accounting and Finance - Among the most important missions of the Board is ensuring that stockholder value is both enhanced through corporate performance and protected through adequate internal financial controls. The Board should have one or more Directors with specific expertise in financial accounting and corporate finance, especially with respect to trends in debt and equity markets.
- Business Judgment - Stockholders rely on Directors to make sensible choices on their behalf. The majority of Directors should have a record of making good business decisions in the corporate sector.
- Management - To monitor corporate management, the Board needs to understand management trends in general and industry trends in particular. The Board should have one or more Directors who understand and stay current on general management "best practices" and their application in complex, rapidly evolving business environments.
- Crisis Response - Organizations inevitably experience both short and long-term crises. The ability to deal with crises can minimize ramifications and limit negative impact on firm performance. Boards should have one or more Directors who have the ability and time to perform during periods of both short-term and prolonged crises.
- Industry Knowledge - Companies continually face new opportunities and threats that are unique to their industries. The Board should have one or more members with appropriate and relevant industry-specific knowledge.
- International Markets - To succeed in an increasingly global economy, the Board should have one or more Directors who appreciate the importance of global business trends and who have first-hand knowledge of international business experience in those markets.
- Strategy and Vision - A key Board role is to approve and monitor company strategy to ensure the Company's continued high performance. The Board should have one or more Directors with the skills and capacity to provide strategic insight and direction by encouraging innovation, conceptualizing key trends, evaluating strategic decisions, and continuously challenging the organization to sharpen its vision.

Changes in Professional Responsibility

The Board should consider whether a change in an individual's professional responsibilities directly or indirectly impacts that person's ability to fulfill directorship obligations. If the Board believes that a director will continue to make a contribution to the organization, the continued membership of that director may be supported.

Identification and Recruitment of Directors

One of the responsibilities of the Nominating and Corporate Governance Committee is to identify and recruit candidates to serve on the Board of Directors. A list of candidates shall be presented to the Board for nomination and to the stockholders for consideration. The committee may, at its discretion, seek third-party resources to assist in the process. The CEO and President will be included in the process on a non-voting basis. The Corporate Governance and Nominating Committee will make the final recommendation to the Board.

Independent Directors

A substantial majority of the Board of Directors should be independent. An independent director shall be defined as set forth in the rules and regulations of the TSX Venture Exchange, the NASDAQ stock market and all applicable laws, rules and regulations of the Securities and Exchange Commission. In the event of a conflict between the foregoing rules and regulations, the most restrictive definition shall be followed by the Company.

Outside Directorships

The members of the Board acknowledge that significant time is required to be a fully participating and effective member of the Company's Board of Directors. Therefore, independent director should not hold more than four or five directorships of public companies other than the Company. The CEO should not be a member on more than one or two Boards of other public companies, and the Company's other executive officers should not be members of more than one other Board of a public company. A Director should notify the Secretary prior to accepting a new position on another Board in order that the Secretary may examine the relationship for a potential conflict of interest.

Compensation of Directors

Directors are compensated in accordance with the Director Compensation Plan and the Share Option Plan as may be in effect from time to time. The Board believes that a significant portion of a director's compensation should be in common stock to further the direct correlation of directors' and stockholders' interests.

Direct Investment in the Company Stock by Directors

A significant ownership stake leads to a stronger alignment of interests between directors and stockholders, therefore each director shall have accumulated at least US \$10,000 worth of the Company's stock within three years of joining the board. Exceptions to this requirement may only be made by the Board under compelling mitigating circumstances.

Service Limitations of Directors

A Director may not stand for reelection after age 75 but need not resign until the end of his or her term. The Board may, however, upon evaluation of a Director that has reached 75 years of age, in its discretion ask such Director to remain on the Board if the Board believes that such Director will continue to make significant contributions to the work of the Board.

No director shall be eligible to be reelected to the Board of Directors after serving on the Board for 20 years. However, notwithstanding the foregoing, Directors serving on the Board as of the first date of the adoption of these Corporate Governance Principles shall be eligible to be reelected as a Director until the first annual meeting of stockholders held after the passage of 20 years from the date of first adoption of these Corporate Governance Principles.

In order to retain freshness in the process and to give new management the unfettered ability to provide new leadership, a retiring CEO shall not continue to serve on the Board except in extraordinary circumstances.

Conflict of Interest

From time to time, an issue being considered by the Board may present, or may give the appearance of presenting, a conflict of interest for a Director. Each Director should take appropriate steps to assure that in each matter considered that the Director is disinterested with respect to that matter, other than the interests of the Company and its stockholders. Any Director faced with any potential conflict should disclose any such potential conflict to the Secretary and the Chairman and should not participate in discussions or votes on such issue unless a majority of the Board determines, after consultation with counsel, that no conflict of interest exists as to such matter.

Directors that are not independent Directors shall not participate in the Board's decision of selection, removal, or performance assessment of the CEO or President.

BOARD ORGANIZATION

Board Size

In general, smaller boards are more cohesive, work better together and tend to be more effective monitors than larger boards. Ideally, the Board should be comprised of three to five Directors who also meet the test for independence as defined by the Board of Directors and two to three Directors who also are employees or officers.

Committees

All major decisions will be considered by the Board as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be basic to or required for the operation of the Company as a publicly-owned entity. Standing committees shall include Audit, Compensation, and Corporate Governance and Nominating. The Audit, Compensation, and Corporate Governance and Nominating Committees shall be composed solely of independent Directors. The Board may form other committees as it determines appropriate. Each committee shall operate in accordance with its charter as adopted by the Board. Committee members and chairs shall be appointed annually by the Board in accordance with the charter of each committee.

BOARD OPERATIONS

Meetings

The agenda for each Board meeting shall be determined by the Chairman. Each Director is encouraged to suggest agenda items.

The Board shall meet at least four times per fiscal year in accordance with a meeting schedule that is approved by the Board. The Board may also meet at such other times in meetings which may be called in accordance with the Company's Bylaws.

Other members of management may attend non-executive meetings of the Board at the invitation of the Chairman.

Communications

Directors have full access to the Chairman and CEO and senior officers reporting directly to the CEO and to information about the corporation's operations. Directors should refrain from giving strategic or operating direction to members of management outside the scope of full Board or committee responsibility and accountability.

Board Ability to Retain Advisors

The Board shall retain advisors as it believes to be appropriate. If management is retaining advisors to the Board, such decision must be ratified by the Board.

Material in Advance of Meetings

The Board must be given sufficient information to fully exercise its governance functions. This information comes from a variety of sources, including management reports, a comparison of performance to plans, security analysts' reports, articles in various business publications, etc. Generally, Board members will receive information prior to Board meetings so they will have an opportunity to reflect properly on the items to be considered at the meeting.

The Board will ensure that adequate time is provided for full discussion of important items and that management presentations are scheduled in a manner that permits a substantial proportion of Board meeting time to be available for open discussion.

Executive Session

The independent Directors should meet privately in executive session from time to time to review the performance of the CEO and other executive officers. The independent Directors should meet in executive session at the end of each Board meeting to consider other issues that they may determine from time to time, without the presence of any member of management.

The independent Directors must meet separately at least twice a year.

Evaluation of the CEO

The selection and evaluation of the chief executive officer and concurrence with the CEO's selection and evaluation of the corporation's top management team are the most important function of the Board. In its broader sense, "selection and evaluation" includes considering compensation, planning for succession and, when appropriate, replacing the CEO or other members of the top management team. The performance of the CEO will be reviewed at least annually solely by the outside Directors without the presence of the CEO or other inside Directors. The evaluation of the CEO shall be led by the chair of the Compensation Committee. The Board should have an understanding with the CEO with respect to criteria on which he or she will be evaluated, and the results of the evaluation will be communicated to the CEO.

Succession and Management Development

The CEO will report annually to the Board on the Company's program for succession and management development.

CEO succession is a Board-driven, collaborative process. Although the current CEO has an important role to play, the Board must own the plan for succession while collaborating with the CEO in deciding the timing and the necessary qualifications for making a final decision.

Outside Communication

The Board believes that management speaks for the company. In accordance with this philosophy, Directors should defer to the Chairman or the Company's public relations department when requested to make any comments regarding the Company or its business.

Annual Election of Directors

In order to create greater alignment between the Board's and our stockholders' interests and to promote greater accountability to the stockholders, Directors shall be elected annually.

PERIODIC REVIEW OF GUIDELINES

These guidelines shall be reviewed periodically by the Corporate Governance and Nominating Committee and any amendments shall be presented to the Board for adoption.

PUBLIC DISCLOSURE AND WEBSITE PUBLICATION

This Charter shall be included on the Company's website. The Company's annual report to shareholders will state that this Charter is available on the Company's website and will be available upon request to the Company's Corporate Secretary.

ADOPTION

The Board of Directors of the Company has adopted this charter on the 22nd day of June, 2004.