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**RICH MINERALS CORPORATION**  
4100 - 6A Street N.E.  
CALGARY ALBERTA T2E 4B1  
Phone (403)531-9100

**THIRD QUARTER REPORT  
TO THE SHAREHOLDERS**

for the Nine Month Period  
Ended May 31, 2004  
(unaudited)

PROCESSED

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J THOMSON  
FINANCIAL

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**RICH MINERALS CORPORATION**  
**CONSOLIDATED BALANCE SHEET**  
(unaudited)

May 31, 2004      August 31, 2003

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$28,397	
Accounts receivable	1,744,115	4,064,210
Inventory & work in progress	396,303	625,311
Prepaid expenses & deposits	40,676	30,817
	2,209,491	4,720,338

OTHER ASSETS

135,112      135,112

PROPERTY PLANT & EQUIPMENT

1,122,756      1,208,377

\$3,467,359      \$6,063,827

LIABILITIES

CURRENT LIABILITIES

Bank overdraft	--	\$499,022
Bank indebtedness	--	\$600,000
Accounts payable	1,018,127	2,566,889
Loans payable	90,683	107,055
	1,108,810	3,772,966
		0
	1,108,810	3,772,966

SHAREHOLDERS' EQUITY

SHARE CAPITAL

2,276,325      2,276,325

RETAINED EARNINGS

82,224      14,536

2,358,549      2,290,861

\$3,467,359      \$6,063,827

**RICH MINERALS CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME**  
**AND RETAINED EARNINGS**  
(unaudited)

	Three Month Period ended May 31		Nine Month Period ended May 31	
	2004	2003	2004	2003
<b>REVENUE</b>	\$1,496,661	\$1,747,596	\$6,757,712	\$6,808,779
<b>DIRECT COSTS</b>				
Equipment Operating	388,987	318,604	1,305,507	1,148,274
Materials	363,919	653,771	2,751,052	2,919,793
Other	21,418	13,346	62,516	78,799
Salaries & wages	339,994	460,749	1,431,499	1,606,183
Subcontract	99,226	61,006	315,995	372,508
	<u>1,213,544</u>	<u>1,507,476</u>	<u>5,866,569</u>	<u>6,125,557</u>
<b>GROSS PROFIT</b>	283,117	240,120	891,143	683,222
<b>NON-DIRECT COSTS</b>				
Amortization	33,310	49,000	107,910	147,000
Interest	1,510	7,191	10,563	16,029
<i>Management, consulting and professional fees</i>	35,920	19,938	141,476	76,327
General and administrative	106,823	85,954	325,690	241,252
Salaries	71,134	65,963	237,816	205,998
	<u>248,697</u>	<u>228,046</u>	<u>823,455</u>	<u>686,606</u>
<b>INCOME (LOSS) BEFORE UNDERNOTED</b>	34,420	12,074	67,688	(3,384)
Gain on disposition of equipment		10,400	0	22,213
Income taxes	0	0	0	0
<b>NET INCOME</b>	<u>34,420</u>	<u>22,474</u>	<u>67,688</u>	<u>18,829</u>
Retained earnings(deficit) beginning of period	47,804	(32,385)	14,536	(28,740)
Retained earnings(deficit) end of period	<u>\$82,224</u>	<u>(\$9,911)</u>	<u>\$82,224</u>	<u>(\$9,911)</u>
Basic earnings per share	\$0.0014	\$0.0009	\$0.0028	\$0.0008
Fully diluted earnings per share	<u>\$0.0012</u>	<u>\$0.0008</u>	<u>\$0.0025</u>	<u>\$0.0007</u>

RICH MINERALS CORPORATION  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(unaudited)

	Three Month Period Ended		Nine Month Period Ended	
	May 31		May 31	
	2004	2003	2004	2003
CASH WAS PROVIDED (USED) BY				
OPERATING ACTIVITIES				
Cash received from customers	\$1,341,285	\$1,864,843	\$9,306,813	\$8,216,806
Cash paid to suppliers and employees	(\$1,534,231)	(\$891,654)	(\$8,130,170)	(\$7,731,422)
Interest paid	(1,510)	(7,191)	(\$10,563)	(\$16,029)
	<u>(\$194,456)</u>	<u>\$965,998</u>	<u>\$1,166,080</u>	<u>\$469,355</u>
INVESTING ACTIVITIES				
Proceed on sale of equipment, net	10,270	10,400	(22,288)	(87)
	<u>\$10,270</u>	<u>\$10,400</u>	<u>(\$22,288)</u>	<u>(\$87)</u>
FINANCING ACTIVITIES				
Repayment of loans payable	(5,100)	(8,843)	(\$16,372)	(\$27,440)
	<u>(\$5,100)</u>	<u>(\$8,843)</u>	<u>(\$16,372)</u>	<u>(\$27,440)</u>
INCREASE (DECREASE) IN CASH	(\$189,286)	\$967,555	\$1,127,419	\$441,828
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT AND BANK INDEBTEDNESS), BEGINNING OF THE PERIOD				
	<u>217,683</u>	<u>(1,044,412)</u>	<u>(\$1,099,022)</u>	<u>(\$518,685)</u>
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT AND BANK INDEBTEDNESS), END OF THE PERIOD				
	<u>\$28,397</u>	<u>(\$76,857)</u>	<u>\$28,397</u>	<u>(\$76,857)</u>

# Rich Minerals Corporation

Notes to Consolidated Financial Statements

May 31 2004 and 2003 (unaudited)

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These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of their application as the most recent annual financial statements, other than the adoption of the fair value based method to account for stock-based compensation as outlined in Note 1 (h).

These financial statements do not present all of the information and disclosure required by Canadian generally accepted accounting principles applicable for annual financial statements and therefore, they should be read in conjunction with the annual audited consolidated financial statements for the year ended August 31, 2003.

## 1. Significant accounting policies

### (a) Consolidation

These financial statements consolidate the accounts of Rich Minerals Corporation (the "Company") and its wholly-owned subsidiaries, Rich Contracting Ltd. and Rich Venture Corporation.

### (b) Construction revenue and direct costs

The Company recognizes construction revenue and direct costs on the percentage of contract completion basis. In using this method, the Company records revenue by reference to third party engineer certification of work completed. Provisions for losses, if any, are recognized during the period in which the loss first becomes apparent.

### (c) Inventory valuation

The Company records inventory of construction materials at the lesser of cost on a first in first out basis and market value.

### (d) Amortization

The Company provides for the amortization of property, plant and equipment other than buildings on the straight line basis over the estimated economic life of the related asset to an ultimate residual value at the following annual rates:

Excavating equipment	10% to 33%
Automotive equipment	10% to 33%
Construction equipment	20% to 33%
Office equipment	33% to 50%

The Company provides for the amortization of buildings on the declining balance basis at the rate of 5% per annum.

### (e) Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized based on differences between financial statement values of assets and liabilities and their respective tax values. Future tax assets and liabilities are measured using rates that are expected to apply when the future tax asset is realized or the future tax liability is settled. To the extent that the Company does not consider it to be more likely than not that a future asset will be recovered, it provides a valuation allowance against the excess.

# Rich Minerals Corporation

Notes to Consolidated Financial Statements (continued)

May 31 2004 and 2003 (unaudited)

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## 1. Significant Accounting Policies (continued)

### (f) Measurement uncertainty

The Company's policy of recognizing construction revenue and direct costs on the percentage of contract completion basis makes necessary the use of estimates as to the degree to which construction projects have been completed. These estimates are then utilized to determine the amount of revenue, direct costs and gross margin recognized, and to validate the Company's accounts receivable from customers. Estimates of contract completion are based on contract outputs and carried out by third party engineers engaged directly by the Company's customers.

The Company must also estimate the amortization of property plant and equipment and the value of other assets and liabilities in order to allow the preparation of these financial statements.

### (g) Segmented information

The Company has one operating segment, the installation and maintenance of underground utilities and ancillary services. The asset category of Other Assets represents an asset not utilized in the installation and maintenance of underground utilities. Other Assets generate no revenue, and due to their value as a proportion of all assets, are not disclosed as a separate operating segment.

### (h) Stock option plan

The Company has established a stock option plan under which the Company may grant options to purchase common shares. Under the plan, the Company may grant options to acquire common shares, but the aggregate options so granted may not exceed ten percent of the common shares outstanding from time to time. The stock option typically allows for the granting of options for a five year term, and which vest twenty percent annually over that term.

Effective September 1, 2003, the Company has elected to use the fair value based method to account for stock-based compensation. Under the provisions of the CICA Handbook, the accounting policy is being adopted on a prospective basis. As no options were granted in the reporting period there is no impact on the financial statements.

### (i) Earnings (loss) per share

The calculation of earnings (loss) per share is based on the weighted average number of shares outstanding being 24,033,000, in each of the quarters ended May 31, 2004 and May 31, 2003.

The Company utilizes the treasury stock method of calculating diluted earnings (loss) per share. Options to purchase 1,700,000 common shares (2003 - 1,700,000) were excluded from the computation of diluted net income per share because the exercise price of the options was greater than the average market price of the common shares.

# Rich Minerals Corporation

Notes to Consolidated Financial Statements (continued)

May 31 2004 and 2003 (unaudited)

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## 1. Significant Accounting Policies (continued)

### (j) Cash and cash equivalents

The Company considers demand bank loans that are utilized periodically for day to day operations to be cash equivalents.

### (k) Portfolio investments

Portfolio investments are recorded at cost. If there is other than a temporary decline in value, these investments are written down to provide for the loss.

## 2. Inventory and work in progress

	<u>2004</u>	<u>2003</u>
Work in progress	\$ -	\$ -
Inventory of materials	<u>396,303</u>	<u>255,311</u>
	<u>\$ 396,303</u>	<u>\$ 255,311</u>

## 3. Other assets

	<u>2004</u>	<u>2003</u>
Portfolio investment	\$ <u>135,112</u>	\$ <u>135,112</u>

The Company has agreed to participate in a series of transactions involving the conversion of the non-interest bearing debentures, the ultimate result of which would see the debtor become publicly traded and the Company holding shares in that publicly traded corporation. At May 31, 2004 the United States regulatory authority approvals required to consummate the series of transactions had not been granted.

## 4. Property, plant and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Third Quarter Fiscal 2004	\$ <u>3,066,527</u>	\$ <u>1,943,772</u>	\$ <u>1,122,755</u>
Third Quarter Fiscal 2003	\$ <u>3,005,660</u>	\$ <u>1,750,389</u>	\$ <u>1,255,271</u>

# Rich Minerals Corporation

Notes to Consolidated Financial Statements (continued)

May 31 2004 and 2003 (unaudited)

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## 5. Bank overdraft and bank indebtedness

The Company has arranged with ATB Financial, a demand bank loan with no fixed terms of repayment, to a maximum of \$1,000,000. The loan bears interest at the lender's prime rate of interest plus one percent. A general security agreement covering all the assets of the Company is pledged as security.

## 6. Loans payable

	<u>2004</u>	<u>2003</u>
<b>ATB Financial</b>		
Demand loan bearing interest at lender's prime rate plus 1.5%, on which the lender is accepting repayment terms of monthly installments of 1.67% of the principal balance outstanding at the end of the previous month, plus interest. The assets of the Company are pledged as security.	\$ 90,683	\$ 111,513
<b>General Motors Acceptance Corporation of Canada, Limited</b>		
Conditional sale contracts repayable in monthly installments of \$1,065, including interest at 1.9% due October 2003. Automotive equipment with a carrying value of (2003 - \$17,643) is pledged as security.	<u>0</u>	<u>4,102</u>
	\$ <u>90,683</u>	\$ <u>115,615</u>

## 7. Share capital

### (a) Shares authorized

Unlimited common shares  
Unlimited preferred shares

### (b) Shares issued

	<u>Common Shares</u>	<u>Consideration</u>
Balance, May 31, 2004 and 2003	<u>24,033,000</u>	<u>\$ 2,276,325</u>

No preferred shares have been issued.

## Rich Minerals Corporation

Notes to Consolidated Financial Statements (continued)

May 31 2004 and 2003 (unaudited)

### (c) Shares under option

Options to acquire shares at a price of \$0.16 per share were granted in fiscal 2001 when the market value of the shares was \$0.24. Stock options outstanding may be summarized as follows:

<u>Fiscal Year</u>	<u>Options Outstanding Beginning of Year</u>	<u>Options Granted in the Year</u>	<u>Options Exercised in the Year</u>	<u>Forfeited/ Expired in the Year</u>	<u>Options Outstanding End of Year</u>	<u>Options Exercisable at Year End</u>
2003	1,700,000	-	-	-	1,700,000	680,000
2004	1,700,000	-	-	-	1,700,000	1,020,000

### 8. Commitments

The Company has entered into agreements for the lease of vehicles. Minimum lease payments are due as follows:

Fiscal 2004	\$ 46,103
Fiscal 2005	40,340
Fiscal 2006	30,880
Fiscal 2007	<u>1,988</u>
	<u>\$ 119,311</u>

### 9. Transactions with related parties

The Company has entered into a series of transactions with corporations controlled by officers of the Company. All transactions with related parties are incurred in the course of normal operations, and are measured at exchange value, which is the amount agreed by the two parties.

#### (a) Leasing transactions

The Company has entered into agreements to rent excavating equipment on a month to month basis from a corporation wholly-owned by an officer of the Company ("the lessor"). The Company has the right to terminate these rental agreements at any time with no penalty.

The Company's transactions with the lessor may be summarized as follows

	<u>2004</u>	<u>2003</u>
Equipment rental costs	\$ 414,600	\$ 294,300
Premises rental	<u>4,500</u>	<u>4,500</u>
	<u>\$ 419,100</u>	<u>\$ 298,800</u>

## Rich Minerals Corporation

Notes to Consolidated Financial Statements (continued)

May 31 2004 and 2003 (unaudited)

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### (b) Contracting transactions

The Company has entered into agreements with a corporation wholly-owned by an officer of the Company ("the contractor"). The contractor is a general contractor. The Company has agreed to provide to the contractor its services as an underground utility subcontractor. The Company's transactions with the contractor may be summarized as follows:

	<u>2004</u>	<u>2003</u>
Included in revenue		
Contract revenue	\$373,413	\$600,884
Premises rental	9,000	9,000
	<u>\$ 382,413</u>	<u>\$ 609,884</u>

At May 31, 2004, the contractor owed \$412,486 (2003 – \$376,324) to the Company.

### 10. Comparative figures

The financial statements have been reclassified where applicable, to conform to the presentation used in the current year. These changes do not affect prior year earnings.

### 11. Interim period operations

The company's operations are subject to seasonal and cyclical influences. Due to winter weather conditions, land development sites are typically closed between the months of December to March, resulting in the strongest financial performance occurring in the fourth quarter.