

## VENA RESOURCES INC.

### Management's Discussion and Analysis of Financial Condition and Results of Operation

March 31, 2005

This management discussion should be read in conjunction with the September 30, 2004 Audited Consolidated Financial Statements and related Notes to the Audited Consolidated Financial Statements. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to Vena Resources Inc.'s (hereafter referred to as "Vena", or the "Company" or "VRI") future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward looking statements. Additional information relevant to Vena's activities, including Vena's Press Releases can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

The principal business reason for the creation of Vena was to acquire and explore mineral properties in Peru. Vena is currently focused on exploring its Peruvian Aucapampa and Las Princesas properties. Specifically, with respect to the Aucapampa property, Vena is undertaking the data collection and exploration program recommended in the Aucapampa Report. This was the principal property of Vena for the purposes of Vena's application to list common shares on the TSX-V. With respect to the Las Princesas property, Vena is undertaking the data collection and exploration program recommended in the Las Princesas Report.

These properties are the two material mineral properties that Vena has and, consequently, unless Vena acquires additional properties or projects, any adverse development affecting these properties could have a material adverse effect on Vena and would materially and adversely affect Vena's potential resource production, profitability, financial performance and results of operations. The other properties of Vena are the Azulcocha property, (the Company let the options expire on the Derrick and Karmykal properties) the Inca Gold projects, the Aurora project and the uranium concessions. The Aucapampa and Azulcocha properties are currently being drilled and the Las Princesas property is encircled by Barrick Gold and PanAmerican Silver claims and is immediately adjacent to Barrick Gold's Alto Chicama property. Vena is completing a pre-feasibility study of the Azulcocha property.

Vena is structured into four strategic business units:

- The Uranium Division controls 14,000 hectares of Uranium projects and manages the technical joint venture with IPEN for the exploration and confirmation of all 78 targets found by IPEN during three decades of exploration throughout Peru;
- The Mining Division is responsible for bringing the Azulcocha poly-metallic project to fruition, generating strong cash flow to fund the exploration activities of the other units;
- The Precious Metals division is about to start second phase drilling of the Aucapampa project. It is performing extensive geochem and geophysics on the Tantar H.S. project. It also controls the strategically located "Las Princesas" gold property that is completely encircled by Barrick Gold and Pan American Silver claims and is immediately adjacent to Barrick's Alto Chicama property;
- The Base Metals Division is responsible for developing all copper/moly systems including the recently acquired Aurora project - a large copper-molybdenum system that is going through a confirmation study.

#### **Critical Accounting Estimates**

Critical accounting estimates used in the preparation of the unaudited consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred exploration costs.

These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

If the going concern assumption were not appropriate for these unaudited consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities and the reported net loss.

### **Comparative Figures**

In fiscal 2004, Vena entered into a series of share-for-share exchange transactions that resulted in the acquisition of Vena Resources (2004) Inc. (VRI) and its wholly-owned subsidiary, Compañía Las Dunas De Oro S.A.C. (Las Dunas). Due to the structure of the transactions, this acquisition has been accounted for as a reverse takeover of Vena by Las Dunas as the original Las Dunas shareholders owned 62% of the issued and outstanding Common Shares of Vena immediately after closing of the acquisition. A summary of the transactions culminating in the acquisition is as follows:

Effective February 27, 2004, VRI acquired 99.8% of the outstanding Common stock of Las Dunas. Las Dunas was incorporated on December 11, 2003 under the laws of Peru.

The acquisition of Las Dunas by Vena has been accounted for by the purchase method as a reverse takeover of VRI by Las Dunas since the then existing shareholders of Las Dunas own 75% of the issued and outstanding Common Shares of VRI immediately after closing of the acquisition. Accordingly, for accounting purposes Las Dunas has been treated as the acquirer of VRI.

The unaudited consolidated balance sheet of the Company is based upon the accounts of Las Dunas at its historic net book value, which have been consolidated with the accounts of VRI at the estimated fair value of net assets acquired at the time of the acquisition and its 60% interest in Las Princesas. The unaudited consolidated statements of operations and deficit and changes in cash flow represent the results of operations and changes in cash flow of Las Dunas and Las Princesa for the period October 1, 2004 to March 31, 2005 together with the results of operations and changes in cash flow of VRI from October 1, 2004 to March 31, 2005.

Effective April 17, 2004, Vena acquired 100% of the outstanding common shares and warrants of VRI. VRI was incorporated on November 28, 2003 under the laws of Ontario and began active operations when it acquired Compañía Las Dunas De Oro S.A.C. (see above). VRI operates principally as a holding company as its principal asset is represented by the shares of Las Dunas which holds a 60% interest in Cia Minera Nueva Princesa S.A.C. ("Las Princesa" gold property) and 80% of Cia. Azure del Peru S.A.C.. (the "Azulcocha" property).

The acquisition has been accounted for by the purchase method as a reverse takeover of Vena by VRI since the then existing shareholders of VRI own 91% of the issued and outstanding Common Shares of Vena immediately after closing of the acquisition. Accordingly, for accounting purposes VRI has been treated as the acquirer of Vena.

The unaudited consolidated balance sheet of the Company is based upon the accounts of VRI at its historic net book value, which have been consolidated with the accounts of Vena at the estimated fair value of net assets acquired at the time of the acquisition. The consolidated statement of operations and deficit and changes in cash flow represent the results of operations and changes in cash flow of VRI for the period from October 31, 2004 to March 31, 2005 together with the results of operations and changes in cash flow of Vena from October 31, 2004 to March 31, 2005.

Therefore, since the effective date of incorporation of Vena is December 11, 2003, comparative figures would be inconsequential since there was virtually no activity for which to account. In addition, due to the reverse takeover effective April 17, 2004, any comparative figures would be comparing two very different entities as detailed above.

### **Results of Operations**

Vena incurred a net loss of \$2,173,967 or \$0.07 a share for the six month period ended March 31, 2005.

Consulting fees for the six month period ended March 31, 2005 were \$207,675. This amount is attributed to fees paid for the evaluation of the Company's properties and for the general operation of the company.

Professional fees expense for the six month period was \$87,980. The Company incurred these costs due to the legal fees for the private placements and to prepare the application to obtain the right to list on the TSX Venture Exchange. These costs are not expected to continue at this level.

Travel expenses were \$91,021 for the six month period ended March 31, 2005. This level of activity is expected to continue as the company continues to explore its' properties which involves travelling to Peru.

Shareholder information expenses for the first six months were \$96,686. This amount relates to the costs of issuing press releases, use transfer agents and electronic dissemination of information. These costs will continue at this level.

Office and general expenses were \$231,397 and should decrease in the future. The current expenditure levels were high because the company was in the startup phase. Major categories of office and general expenses are administrative expenses (147,303), which is largely incurred by Las Dunas, telecommunications (\$23,476), and rent (\$12,421). \$122,940 of the total amount relates to Las Dunas, the operations subsidiary in Peru, which now has its own office and incurred expenses to get up and running.

The \$1,000,000 private placement that was anticipated in late 2004 was completed on March 23, 2005 and due to an oversubscription it amounted to just under \$4.0 million. It was a non-brokered private placement and the funds will be used to meet the Company's administrative, exploration and property costs. In addition, because of the additional funds from the oversubscription, the Company is in a position, to expedite its' growth plans for 2005. In the coming months the Company will also:

- Complete the pre-feasibility study of the Azulcocha poly-metallic mine
- Drill identified targets, confirm historical resources and increase Azulcocha's tonnage
- Complete second phase drilling campaign in Cu/Au Aucapampa project
- Complete first phase drilling campaign in Cu/Mo Aurora project
- Commence ground geophysics and phase I drilling campaign on Las Princesas
- Launch field confirmation campaigns on 3 Uranium zones in southern Peru

Vena, will also continue to acquire and advance high quality projects throughout Peru to expand on its portfolio of projects that currently encompasses 60,000 hectares.

The following is a brief description of each of Vena's properties. Additional disclosure regarding Vena's two material properties, the Aucapampa and Las Princesas properties, is provided herein.

#### **Aucapampa Property**

The property is located in the country of Peru on the west coast of South America. Peru is divided in 24 Departments which are each further subdivided into several provinces. The property is located in the Department of Apurimac.

The property is approximately 348 kilometers from the community of Nazca which is in turn located approximately 420 kilometers south of Lima on the PanAmerican Highway. Approach to the property can be made to within 38 kilometers via an asphalt, all-weather highway.

The property comprises 2,970 hectares of mining concessions. The three concessions are registered under the legal names of Nueva Alicia 1, Nueva Alicia 2 and Nueva Alicia 3.

Pursuant to an option agreement dated February 10, 2004, as amended, among Vena, Rosario Espino Quijandria, Alicia Rico Quijandria and Jesus Rico Quijandria (the "Aucapampa Option") Vena has an option to acquire 100% of the property under the following terms and conditions:

- initial payment of US\$60,000 which was made upon registering the option agreement
- monthly payments are to be made as follows: US\$20,000 for years 1 and 2, US\$25,000 for year 3, US\$50,000 for year 4 and US\$70,000 for year 5
- a final payment of US\$850,000 is payable in the 6th year of the option

- on commercial production a net smelter royalty of 1 percent is to be paid on all sales receipts net of ad valorem taxes, sales costs, measuring and transportation costs and insurance costs
- the option can be cancelled by Vena at any time without penalty

Under Peruvian law, the concessions remain in good standing as long as the annual registration payments (\$3.00 per hectare) are received by June of each year. One grace year is added in the event of a delinquent payment.

The property has no known ore reserves. On December 15, 2004 Vena announced that the preliminary results of its first drill program on its Aucapampa gold-copper deposit in the Apurimac region of Peru were encouraging. Due to the positive drilling results, a follow-up drill program was planned to commence in the first quarter of 2005.

This is the principal property of Vena for the purposes of Vena's application to list common shares on the TSXV.

The terms of this agreement are currently being renegotiated.

### **Las Princesas Property**

The property is located in the country of Peru and is located in the Department of La Libertad.

The property is approximately 140 kilometres from the City of Trujillo which is in turn located approximately 580 kilometres north of Lima on the PanAmerican highway. Approach to the property can be made to within 8 kilometres via an asphalt, all-weather highway.

The property comprises 1,050 hectares of mining concessions.

The property is comprised of two concessions, comprising a total of 1,050 hectares. The property is owned by Nueva Princesa S.A.C., 60% of which is owned by Las Dunas and 40% by Mr. Jorge Blacker Benduzu. Under Peruvian law, the concessions remain in good standing as long as the annual registration payments (\$3.00 per hectare) are received by June of each year. One grace year is added in the even of a delinquent payment.

Pursuant to a shareholder operating agreement dated June 8, 2004, as amended, among Vena, Jorge Blecker Benduzu and Alexandra Vidaurre Otayza (the "Las Princesas Operating Agreement"), Vena through its subsidiary Las Dunas, created an operating company to continue exploration work on the property. The agreement covers a project area comprising the above referenced 2 concessions.

The Las Princesas Operating Agreement, as amended, sets out the following terms and conditions:

- The operating company, Nueva Princesa S.A.C. is owned 60% by Las Dunas and 40% by Mr. Jorge Blacker Benduzu.
- The operating company will develop a small mine producing 75 tonnes per day of feed to a plant that will be purchased by Las Dunas for an estimated cost of \$530,100. The mine will be operating within 3 months of the signing of the agreement, as amended, providing there is sufficient ore to feed the plant. In the event the plant is not operating at capacity within 3 months of such date, Las Dunas will have up to 1.5 years to bring the operation into production.
- Las Dunas will recover US\$520,000 from the profits of the mine starting in the second year of operation to a maximum monthly payment of \$43,333. Mr. Blacker will also receive a total payment of \$133,000 paid every 3 months starting in the second year of operation. This agreement is currently being re-negotiated.

The property has no known ore reserves.

**Azulcocha Property**

The property is located in the country of Peru in the Department of Junin.

The property is approximately 260 kilometres east from the City of Lima on the two lane Carretera Central highway. Approach to the property can be made to within 40 kilometres via an asphalt, all-weather highway. The final 40 kilometres is on a rough, single lane dirt road that is passable by 2 wheel drive vehicles.

The property comprises 1,744 hectares of mining concessions. The property is owned by Compania Azure del Peru S.A.C., 80% of which is owned by Las Dunas and 20% by Elmer Rosales Castillo. All registration fees for the concessions are current.

The property was obtained directly from the government with the exception of the San Luis Primero concession which was acquired from a third party. Under Peruvian law, the concessions acquired from the government remain in good standing as long as the annual registration payments (\$3.00 per hectare) are received by June of each year. Once grace year is added in the event of a delinquent payment.

The property has no known ore reserves. On December 20, 2004 announced the positive and encouraging results of its geophysical study at the Azulcocha zinc/manganese project near Huancayo, Peru approximately 260 kilometers east from the City of Lima.

On April 20, 2005, Vena announced it has received positive metallurgical results on the re-treatment of its Azulcocha poly-metallic stockpile. The Company has also located and purchased the complete and original geology, mine plan and exploration data for the original Minera Gran Bretana mine. This purchase will sharply focus and greatly reduce the planned exploration program costs to confirm the historically reported 3.3 million tons of remaining ore (Munoz 1994). This historical value is not NI43-101 compliant and should not be considered a resource or reserve using accepted mining definitions.

Vena is also pressing ahead with an ambitious exploration program to identify additional drill targets. The recent acquisition of the original Minera Gran Bretana data will accelerate this process. In addition to aiding in the quantification of remaining mineral, this purchased data has identified other "inflection" targets which will be evaluated for drilling.

Vena intends to complete this phase of work (pre-feasibility and 43-101 resource and reserve estimate) in June 2005 and will immediately commence a feasibility study. The feasibility study will be largely an effort to confirm markets and pricing in order to make an appropriation decision. It is anticipated that no additional technical studies will be required to complete the feasibility study.

In addition to assessing the potential of the current stockpile, further drilling is needed to confirm the reported presence of additional underground mineralization. As well, surface samples on a newly found vein structure have returned up to 46% zinc grades, thus meriting a comprehensive exploration program.

**Derrick Property**

The Derrick Property is located in the country of Peru in the Department of Cajamarca. The property covers 3,100 hectares. Vena currently owns a 60% interest in the property and has an option to acquire the remaining 40% interest in the property. The Company has cancelled the option agreement on the property.

The property has no known ore reserves

**Karmykal Property**

The Karmykal Property is located in Peru in the District of San Pedro and covers approximately 3,000 hectares. Vena currently owns a 60% interest in the property and has an option to acquire the remaining 40% interest in the property. The Company has cancelled the option agreement on the property.

The property has no known ore reserves.

### **Uranium Concessions**

On February 8, 2005, Vena announced it had staked 9,600 hectares of uranium concessions in Peru. These concessions are 100% owned by Vena.

On March 4, 2005, Vena staked an additional 4,300 hectares of uranium properties in Peru. This brought Vena's total uranium holdings to 13,900 hectares, the largest Uranium land position in Peru.

On March 29, 2005, Vena began an aggressive exploration and confirmation field campaign on its 14,000 hectare uranium concessions in Peru which are controlled 100% by Vena.

Given the strong support from the investment community oversubscribing to the last financing round, Vena is encouraged to fast track and mobilize three exploration teams at once to explore all 14,000 hectares over the next months, April onward. These confirmation and exploration campaigns across all 78 target areas lead by IPEN scientists will enable Vena to make more appropriate strategic announcements in a short term.

There are four districts that constitute the first field exploration campaigns: Macusani, Lagunillas, Munani and Rio Blanco.

### **The Aurora Project**

On March 23, 2005, Vena signed a purchase option agreement with Sociedad Minera Parobamba II (Parobamba), a private Peruvian company, for its Aurora copper-molybdenum project in Peru. The Aurora project, located in the Department of Cusco at an elevation of approximately 2,500 meters was previously explored by Bear Creek Mining who completed a US\$300,000 program of 6 diamond drill holes. It is particularly attractive due to the relatively high grades of molybdenum and the potential for gold and silver values which were not assayed for in the previous exploration campaign.

The Aurora property is within the Yauri-Andahuaylas metalogenic corridor which is well known for its copper-gold porphyry and skarn deposits. The BHP Billiton Tintaya mine is perhaps the best known of these deposits.

Terms of the purchase option include a payment of US\$25,000 at the signing of the registerable transfer documents and a payment of \$25,000 after 4 months of confirmation testing with subsequent payments of US\$25,000 6 months after the confirmation period and US\$50,000 after 12 months. This payment cycle repeats for each of the next 4 years. At any time during the five years Vena can drop the option without penalty or purchase the property for a total of US\$4,000,000. There is a work commitment of US\$500,000 in each of the five years of the option period.

Vena is planning to re-assay the drill core that is stored on the property to confirm the reported values and include gold and silver assays in the data base. At the same time an aggressive exploration program will be undertaken in preparation to a drilling campaign in the short term to find the boundaries of the porphyry deposit and test the mineralization at depth.

### **Inca Gold Projects**

On April 18, 2005, Vena signed a purchase option agreement with Inca Gold, a private Peruvian exploration company. The eight properties are all located in the highly prospective Alto Chicama - Yanacocha structural corridor and comprise 22,486 hectares.

The basis for the purchase consists of a one time payment of US\$60,000 plus 800,000 shares of Vena stock, the issuance of which is subject to regulatory approval. In the event, Vena sells or otherwise transfers its interests in the concessions in whole or in part, Inca Gold will receive a cash payment equal to 10% of the purchase or transfer price. If Vena decides to drop the concessions they will be transferred back to Inca Gold in the Peruvian Public Registry.

Vena is preparing an aggressive program of surface exploration and geophysical surveys to identify sites for drilling on the concessions.

**Capital Resources, Capital Expenditures and Liquidity**

The Company's working capital was \$3,785,720 at March 31, 2005, which is an increase of \$3,743,252 from September 30, 2004, largely due to the financing from the private placements.

The other receivables and sales tax recoverable of \$610,215 includes \$315,888 of a sales tax credit resulting from Las Dunas' pre-operation activities during 2004. This credit will start to be recovered when operations begin.

\$988,173 was spent on mineral properties and deferred exploration and development expenditures for the period ended March 31, 2005. These levels of expenditures should increase in the next six months.

During the six month period ended March 31, 2005, the Company raised \$5,397,575 through the issuance of common shares by way of private placement, net of fees.

On December 16, 2004, Vena completed a non-brokered private placement in the amount of \$479,600 by the issuance of 1,199,000 Units at a price of \$0.40 per Unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each full common share purchase warrant is exercisable for eighteen months at \$0.60 per share.

On March 23, 2005, Vena completed a previously announced non-brokered private placement. The original announcement was for \$2 million; however the issue was significantly oversubscribed and additional subscriptions have been received and the balance of financing was announced on April 20, 2005.

Vena offered subscribers, one-half of their subscription at the original \$0.45 unit price and one-half of their subscription at the \$0.48 unit price. Each unit consisted of one common share and one-half common share purchase warrant exercisable for 18 months at a price of \$0.65 in the case of the \$0.45 unit and \$0.60 in the case of the \$0.48 unit. This provided subscribers with a blended cost per unit of \$0.465 and a blended common share purchase warrant exercise price of \$0.625. The securities issued on closing are subject to a four-month hold period. The private placement was approved by the regulatory authorities. A finder's fee was paid to certain parties at the discretion of the Company in the form of placement units.

On April 20, 2005, the Company announced that it closed the balance of subscriptions from European investors. This second closing was for approximately \$730,000 which brought the total private placement to \$3,985,914, almost double the size of the original private placement as originally announced on March 4, 2005.

On-going commitments for capital resources relate largely to the maintenance of the mineral permits. Under Peruvian law, the concessions remain in good standing as long as the annual registration payments (\$3.00 per hectare) are received by June of each year. One grace year is added in the event of a delinquent payment. As of March 31, 2005 the Company had \$3,743,252 in available capital. The Company will spend the funds available to it to further its stated business objectives. Specifically, the available funds will be spent to explore and develop its two principal mining properties in Peru and to make property payments on all of its properties in Peru. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

The following table represents our current estimate of property payments and exploration expenditures for the twelve months ended December 31, 2005. Actual exploration activities may result in changes to the estimated property payments and/or exploration expenditures on each property.

		US\$
<b>Aurora</b>	Confirmation Study	30,000
	Phase I - RC Drilling Campaign	175,000
	Contract Payments	50,000
<b>Aucapampa</b>	Phase II - Drilling Campaign	225,000
	Property payments	90,000
<b>Las Princesas</b>	Phase I - Drilling Campaign	220,000
	Phase II - Drilling Campaign	250,000
<b>Azulcocha</b>	Pre-Feasibility Study	170,000
	Phase I - RC Drilling Campaign	170,000
	Property Payment	18,000
<b>Tantar</b>	Geochem/Geophysics	80,000
<b>Uranium</b>	Confirmation Study 4 zones	190,000
	Phase I - Drilling Campaign	200,000
<b>Huamachuco</b>	Geochem/Geophysics	80,000
<b>Santiago</b>	Geochem/Geophysics	80,000
<b>Government Fees</b>	40,000 hectares	120,000
<b>Total 2005</b>		<b>2,148,000</b>

In 2005, the Company will have to make monthly payments of US\$7,500 on its principal property, Aucapampa as well as maintain exploration and development on its other properties. This includes the completion of a two phase data collection and exploration program the estimated cost of which is \$227,000. The second phase of this program which consists of data compilation/evaluation, drillhole site selection, drilling, model building and resource estimation is targeted for completion in February 2005. This also includes a data collection and exploration program on the Las Princesas property that's divided into two phases. The second phase of this will include drillhole site selection, drilling, model building, resources estimation and follow-up drilling. The approximate cost of this is US\$20,000 and should be completed by May of 2005.

The Company is dependent on obtaining future financings for the exploration and development of our properties and for the acquisition of any new projects. There is no assurance that such financings will be available when we require them, or under terms that are favourable to us.

#### **Selected Financial Information**

Since the effective date of incorporation of Vena is December 11, 2003, comparative figures would be inconsequential since there would be virtually no activity for which to account. In addition, due to the reverse takeover effective April 17, 2004, any comparative figures would be comparing two very different entities as detailed above in the section above entitled "Comparative Figures". Consequently, there is no comparative consolidated data provided.

The information below should be read in conjunction with the management's discussion and analysis, the financial statements and related notes and other financial information. The following is for the periods ended

	Six Months Ended March 31, 2005	Year Ended September 2004	Year Ended September 2003	Year Ended September 2002
	\$	\$	\$	\$
Total Revenue	-	-	-	-
Loss before extraordinary items	2,173,967	754,409	N/A	N/A
Loss before extraordinary items per share	0.068	0.049	N/A	N/A
Net Loss	2,173,967	754,409	N/A	N/A
Loss Per Share	0.068	0.049	N/A	N/A
Total Assets	6,374,419	1,848,789	N/A	N/A
Liabilities	230,351	263,877	N/A	N/A
Cash dividend declared	-	-	-	-

**Results for the three months ended:**

Since the effective date of incorporation of Vena is December 11, 2003, comparative figures would be inconsequential since there would be virtually no activity for which to account. In addition, due to the reverse takeover effective April 17, 2004, any comparative figures would be comparing two very different entities as detailed above in the section above entitled "Comparative Figures". Consequently, there is no comparative consolidated data provided for 2003. The Company's fiscal year end is September 30.

	March 31, 2005	December 31, 2004	September 30, 2004	June 30, 2004
	\$	\$	\$	\$
Total Revenue	-	-	-	-
Loss before extraordinary items	1,839,533	334,434	287,245	253,031
Loss before extraordinary items per share	0.056	0.010	0.011	0.012
Net Loss	1,839,533	334,434	287,245	253,031
Loss Per Share	0.056	0.010	0.011	0.012

	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003
	\$	\$	\$	\$
Total Revenue	-	-	-	-
Loss before extraordinary items	N/A	N/A	N/A	N/A
Loss before extraordinary items per share	N/A	N/A	N/A	N/A
Net Loss	N/A	N/A	N/A	N/A
Loss Per Share	N/A	N/A	N/A	N/A

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**Related Party Transactions**

1282803 Ontario Inc. ("1282803") charged the company a total of \$30,000 in respect of the services of James Fairbairn, Chief Financial Officer, beneficially owns 1282803.

Juan Vegarra, Chairman and Chief Executive Officer and director, charged the Company \$33,685 for the six months ended March 31, 2005.

Jaguar Holdings Inc. charged the Company \$17,020 in respect of the services of John Cullen. John Cullen, a director, beneficially owns Jaguar Holdings Inc.

Len DeMelt, an officer and a director, charged the Company \$68,962.

Denis Clement and Associates charged the Company \$5,000 in respect of the services of Denis Clement. Denis Clement, a director, beneficially owns Denis Clement and Associates.

**Changes in Accounting Policies Including Initial Adoption**

There were no changes in accounting policies during the six month period ended March 31, 2005 as compared to the Company's fiscal year-end.

**Financial Instruments**

The carrying amount of cash, GST and foreign sales taxes recoverable and accounts payable approximates their fair value because of the short-term maturities of these items. The Company enters into transactions to purchase goods and services denominated in the Peruvian Nuevo Sol for which the related expenses and accounts payable balances are subject to fluctuations in currency exchange rates. The transactions and balances have been stated in Canadian dollars in accordance with our foreign currency translation policy.

## Additional Disclosure Venture Issuers Without Significant Revenue

<b>Additional Disclosure for Venture Issuers without Significant Revenue</b>	<b>March 31, 2005</b>	<b>September 30 2004</b>	
Mineral properties			
Capitalized mineral properties and deferred expenditures	\$ 2,530,617	1,542,444	
Expensed development and exploration		-	
Corporate expenses	\$ 1,839,533	\$ 287,245	
<b>Total Assets</b>	<b>\$ 6,374,419</b>	<b>\$ 1,848,789</b>	
	<b>March 31, 2005</b>	<b>September 30</b>	
<b>Mineral properties and deferred expenditures</b>	<b>2005</b>	<b>2004</b>	
	<b>Capitalized</b>	<b>Capitalized</b>	
Acquisition costs	\$ 1,045,979	\$ 758,071	
Geology	272,048	152,966	
Drilling	405,790	160,341	
Assaying	139,008	72,133	
Transportation	104,055	24,344	
Labour	128,706	79,785	
Amortization	10,316	8,683	
Other	177,668	93,355	
Facilities and machinery - net	247,047	192,765	
	\$ 2,530,617	\$ 1,542,444	
	<b>Three Months Ended</b>	<b>Three Months Ended</b>	
<b>Corporate Expenses</b>	<b>March 31, 2005</b>	<b>September 30, 2004</b>	
	\$	\$	
Stock-based compensation	1,470,749		
Office and general:			
Rent	1,831	-	
Internet	1,350	462	
Insurance	3,858	2,703	
Telephone and computers	7,759	2,835	
Administrative expense	68,165	22,867	
Printing and copying	7,860	4,933	
Other expense	15,556	39,622	
Consulting	134,365	122,266	
Professional fees	900	35,371	
Travel	65,728	42,913	
Shareholder information	64,762	6,389	
Foreign exchange (gain) loss	(1,645)	6,884	
Minority interests	(1,705)		
	\$ 1,839,533	\$ 287,245	
	<b>31-May-05</b>	<b>31-Mar-05</b>	<b>30-Sep-04</b>
Issued and outstanding common shares	40,754,894	39,185,240	26,562,513
Outstanding options to purchase common shares	2,625,000	2,625,000	-
Outstanding warrants to purchase common shares	9,497,190	8,712,364	2,437,500

**Dividends**

The Corporation has neither declared nor paid any dividends on its Common Shares. The Corporation intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

**Risks and Uncertainties****Political Risk**

All of the properties are located in Peru and, accordingly, the Company is subject to risks normally associated with exploration for and development of mineral properties in Peru. In addition, Peru is a developing country that has experienced political and economic difficulties over the years. Vena's mineral exploration activities could be affected in varying degrees by such political instability and government regulation relating to foreign investment and the mining business. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation.

Vena's ability to conduct future exploration and development activities is subject to changes in government regulations and shifts in political attitudes over which Vena has no control.

There is social unrest in Peru resulting from high expectations of an improvement of living standards and high levels of unemployment. Protesters have targeted foreign firms in the mining sector in recent years. The Aucapampa and Las Princesas properties are situated in historical mining districts, in areas which have not experienced any significant civil unrest to date. However, there can be no assurance that future social unrest will not have an adverse impact on Vena's operations.

**Outlook**

Vena's future profitability and long-term viability will depend largely on the market price of commodities. Market prices are volatile and are affected by numerous factors beyond Vena's control, the aggregate effect of which is impossible for Vena to predict.

The Company has never had mineral producing properties. There is no assurance that commercial quantities of minerals will be discovered at either of the two properties or other future properties or that the exploration programs thereon will yield positive results. Even if Vena discovers mineralization on its properties, extraction may not be economically viable.

Vena currently holds the permits it requires to carry out its current work programs, but the Company cannot assure that it will receive the necessary permits to carry out further exploration and to develop the properties.

**Business Risk**

There are numerous business risks involved in the mineral industry some of which are outlined below. Vena does not currently own the Aucapampa property, but rather holds an option to acquire the rights of the current owners in certain of the mineral concessions. Any non-compliance with or non-satisfaction of the terms of the Option by Vena could affect its ability to exercise the Option and earn its interest in the mining concessions and assets relating to the property.

Vena does not currently own 100% of the two mineral concessions contained in the Las Princesas property. Similarly, any non-compliance with or non-satisfaction of the terms of the Option by Vena could affect its ability to exercise the Option and earn its interest in the mining concessions and assets relating to the property.

In Peru, mining concessions do not include surface rights and there can be no assurance that Vena will be successful in negotiating long term surface rights access agreements in respect of the properties. Failure to obtain surface rights could have an adverse impact on Vena's future operations.

Vena's current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether.

The success of the operations and activities of Vena is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgement, as well as the expertise and competence of the outside contractors, experts and other advisors. Vena does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect Vena's operations and financial performance.

On December 15, 2004, the TSX-V accepted the Company's application for listing of its common shares on the Exchange under the trading symbol "VEM". Trading commenced at the opening of business Monday, December 20, 2004.

#### **Commodity Risk**

There are risks of volatility in world commodity prices and other risks that the Company cannot control. Vena does not have a hedging policy and has no present intention to establish one. Accordingly, Vena has no protection from declines in mineral resource prices.

A key risk mitigation strategy is to maintain the corporate development portfolio open to all types and classes of mineral wealth and keep the new project "pipeline" full.

#### **Currency Risk**

The Company's expenses are recorded in Canadian dollars so there is no risk in that regard. However, Vena is exposed to market risks resulting from fluctuations in currency exchange rates for the Peruvian Nuevo Sol due to the operations in Peru. This includes but is not limited to the effects on operating costs and hence on cash flows.

#### **Management's Responsibility**

Management is responsible for all information contained in this report. The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the audited consolidated financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

External auditors, appointed by the shareholders, have not independently examined the consolidated financial statements for the period ended March 31, 2005.

The Audit Committee has reviewed the unaudited consolidated financial statements with management and the auditors. The Board of Directors has approved the unaudited consolidated financial statements on the recommendation of the Audit Committee.

May 31, 2005

James N. Fairbairn, C.A. - Chief Financial Officer

**Vena Resources Inc.**  
*(formerly Oceanus Water Purity Inc.)*

**Unaudited Consolidated  
Financial Statements**

**March 31, 2005**

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**Notice to Reader**

Management has compiled the unaudited interim financial information of Vena Resources Inc. (formerly Oceanus Water Purity Inc.) consisting of the interim Consolidated Balance Sheet as at March 31, 2005 and the Consolidated Statements of Operations and Deficit and Cash Flows for the six months ended March 31, 2005. All amounts are stated in Canadian Dollars. An accounting firm has not reviewed or audited this interim financial information.

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**Vena Resources Inc.**  
(formerly Oceanus Water Purity Inc.)

**Consolidated Balance Sheet**

	March 31, 2005	September 30, 2004
	(Unaudited)	(Audited)
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 3,157,510	\$ 87,699
Other receivables and sales taxes recoverable	610,215	218,646
Prepaid expenses	76,077	-
	<b>3,843,802</b>	<b>306,345</b>
<b>Mineral Properties and Deferred Expenditures (Note 5)</b>	<b>2,530,617</b>	<b>1,542,444</b>
	<b>\$ 6,374,419</b>	<b>\$ 1,848,789</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 34,130	\$ 263,877
Other accounts payable	23,952	-
<b>Minority Interest</b>	<b>172,269</b>	<b>-</b>
	<b>230,351</b>	<b>263,877</b>
<b>Shareholders' Equity</b>		
<b>Capital Stock (Note 3)</b>	<b>5,341,172</b>	<b>1,939,321</b>
<b>Capital Stock Subscribed</b>	<b>264,889</b>	<b>400,000</b>
<b>Contributed surplus (Note 4)</b>	<b>3,466,383</b>	<b>-</b>
<b>Deficit</b>	<b>(2,928,376)</b>	<b>(754,409)</b>
	<b>6,144,068</b>	<b>1,584,912</b>
	<b>\$ 6,374,419</b>	<b>\$ 1,848,789</b>

**Vena Resources Inc.**  
(formerly Oceanus Water Purity Inc.)

**Consolidated Statement of Operations and Deficit**

	Six Months Ended March 31, 2005	Three Months Ended March 31, 2005	Period from December 11, 2003 (date of incorporation) to September 30, 2004
	(Unaudited)	(Unaudited)	(Audited)
	\$	\$	\$
<b>Operating Expenses</b>			
Stock-based compensation (Note 3)	1,470,749	1,470,749	
Consulting	207,675	134,365	256,845
Professional fees	87,980	900	139,147
Travel	91,021	65,728	135,109
Office and general	231,397	106,379	137,751
Shareholder information	96,686	64,762	46,410
Foreign exchange (gain)/loss	(9,836)	(1,645)	39,147
<b>Net Loss before minority interests</b>	<b>2,175,672</b>	<b>1,841,238</b>	<b>754,409</b>
Minority Interest	1,705	1,705	-
<b>Net Loss</b>	<b>2,173,967</b>	<b>1,839,533</b>	
<b>Deficit, beginning of period</b>	<b>754,409</b>	<b>1,088,843</b>	<b>-</b>
<b>Deficit, end of period</b>	<b>2,928,376</b>	<b>2,928,376</b>	<b>754,409</b>
<b>Net Loss Per Share - basic</b>	<b>6.84¢</b>	<b>5.6¢</b>	<b>4.9¢</b>
<b>Weighted average number of shares outstanding</b>	<b>31,775,203</b>	<b>32,864,036</b>	<b>15,431,378</b>

**Vena Resources Inc.**  
(formerly Oceanus Water Purity Inc.)

**Consolidated Statement of Cash Flow**

	Six Months Ended March 31, 2005	Three Months Ended March 31, 2005	Period from December 11, 2003 (date of incorporation) to September 30, 2004
	(Unaudited)	(Unaudited)	(Audited)
<b>Operating</b>			
Net loss	\$ (2,173,967)	\$ (1,839,533)	\$ (754,409)
Net change in non-cash working capital:			
Stock-based compensation	1,470,749	1,470,749	
Minority Interest	1,705	1,705	
Unrealized exchange (gain) loss	(16,326)	(16,326)	26,937
Accretion of foreign subsidiary's severances and indemnities	5,763	5,763	2,760
Other receivables and sales taxes recoverable	(391,569)	(306,831)	(226,711)
Prepaid expenses	(76,077)	(76,077)	-
Accounts payable and accrued liabilities	(229,747)	(237,328)	173,090
Other accounts payable	18,189	18,189	-
<b>Cash Flow Provided by (Used in) Operating Activities</b>	<b>(1,391,280)</b>	<b>(979,689)</b>	<b>(778,333)</b>
<b>Financing</b>			
Issuance of common shares (net of fees)	5,449,264	3,743,714	2,032,572
<b>Cash Flow Provided by (Used in) Financing Activities</b>	<b>5,449,264</b>	<b>3,743,714</b>	<b>2,032,572</b>
<b>Investing</b>			
Mineral properties and deferred exploration expenditures	(988,173)	(328,124)	(1,169,540)
Cash acquired on acquisition of Vena	-	-	3,000
<b>Cash Flow Provided by (Used in) Investing Activities</b>	<b>(988,173)</b>	<b>(328,124)</b>	<b>(1,166,540)</b>
<b>Increase in Cash</b>	<b>3,069,811</b>	<b>2,435,901</b>	<b>87,699</b>
<b>Cash at the beginning of the period</b>	<b>87,699</b>	<b>721,609</b>	<b>-</b>
<b>Cash at the end of the period</b>	<b>\$ 3,157,510</b>	<b>\$ 3,157,510</b>	<b>\$ 87,699</b>

**Vena Resources Inc.**  
*(formerly Oceanus Water Purity Inc.)*

**Notes to Unaudited Consolidated Financial Statements**

**March 31, 2005**

**General**

On April 16, 2004, the corporation filed Articles of Amendment changing its name from Oceanus Water Purity Inc. to Vena Resources Inc. (Vena, or the Company). During fiscal 2004 Vena acquired, through a series of transactions, 100% of the outstanding Common Stock of Compañía Las Dunas De Oro S.A.C., a Peruvian-based mineral exploration company. This acquisition has been accounted for as a reverse takeover (see Note 2). As such, these consolidated financial statements reflect the continuation of the Peruvian-based legal subsidiary and not that of the legal parent.

**1. Summary of Significant Accounting Policies**

***Consolidation***

The consolidated financial statements include the accounts of the Company together with its wholly-owned subsidiaries, Vena Resources (2004) Inc. and Compañía Las Dunas De Oro S.A.C. as well as its 60% (2004 - 40%) interest in Company Minera Nueva Princesa, and its 80% interest in Company Azure del Peru. The 2004 acquisition of Vena Resources (2004) Inc. and its wholly owned subsidiary Compañía Las Dunas De Oro S.A.C. (Las Dunas) has been accounted for as a reverse takeover of Vena by Las Dunas. Accordingly, for accounting purposes Las Dunas has been treated as the acquirer of VRI and VRI has been treated as the acquirer of Vena. A summary of the transactions culminating in the acquisition follows.

***Nature of Operations***

Vena is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable reserves. The recovery of expenditures on mineral properties and the related deferred exploration costs is dependent upon the existence of economically recoverable mineralization, the ability of Vena to obtain financing necessary to complete the exploration and the development of the mineral properties, and upon future profitable production or alternatively, on the sufficiency of proceeds from disposition.

***Foreign Currency Translation***

Vena uses the temporal method of foreign currency translation in accounting for its integrated foreign operations. Under this method foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date while non-monetary assets and liabilities are translated into Canadian dollars at the exchange rate prevailing on the date of the transaction. Revenue and expenditures denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing on the date of the transaction. Foreign exchange gains and losses arising from the translation of these foreign currency denominated transactions are reflected in operations for the period.

***Mineral Properties***

Vena defers the costs of exploration and capital assets on existing projects and carries them as assets until production commences. Mineral properties and the deferred exploration expenditures are recorded at cost and do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration expenditures will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and the related deferred exploration expenditures are written off.

**Vena Resources Inc.**  
*(formerly Oceanus Water Purity Inc.)*

**Notes to Unaudited Consolidated Financial Statements**

**March 31, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

***Net Loss Per Share***

Net loss per share is calculated by using the weighted average number of common shares outstanding during the period. Net earnings per share, fully diluted is not presented as it is anti-dilutive.

***Stock-Based Compensation***

Vena has adopted the new recommendations of the CICA with respect to employee stock-based compensation. The new recommendations are applied prospectively to option grants after that date. In prior years, the Company accounted for stock-based compensation by the settlement method whereby no compensation expense was recorded for options granted. As a result, Vena records stock-based compensation payments granted using the fair value method.

Under the fair value method, stock-based payments are measured at the fair value of the equity instruments issued, and are amortized over the vesting period. The offset to the recorded cost is to contributed surplus.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

**2. Acquisitions of Businesses**

In fiscal 2004, Vena entered into a series of share-for-share exchange transactions that resulted in the acquisition of Vena Resources (2004) Inc. (VRI) and its wholly-owned subsidiary, Compañía Las Dunas De Oro S.A.C. (Las Dunas). Due to the structure of the transactions, this acquisition has been accounted for as a reverse takeover of Vena by Las Dunas as the original Las Dunas shareholders own 62% of the issued and outstanding Common Shares of Vena immediately after closing of the acquisition. A summary of the transactions culminating in the acquisition is as follows:

***Acquisition of Compañía Las Dunas De Oro S.A.C.***

Effective February 27, 2004, VRI acquired 99.8% of the outstanding Common stock of Las Dunas for a total cost of \$1,916. As consideration for Las Dunas' shares VRI issued 12,300,000 Common Shares, which are the equivalent of 3,562,201 common shares of Vena. As additional consideration, VRI also issued 2,500,000 share purchase warrants with each warrant entitling the holder to purchase one common share for \$0.25 for a period of one year from the issue date. Las Dunas was incorporated on December 11, 2003 under the laws of Peru and began active operations shortly thereafter. Las Dunas operates principally as a mineral exploration company in Peru, South America.

The acquisition has been accounted for by the purchase method as a reverse takeover of VRI by Las Dunas since the then existing shareholders of Las Dunas own 75% of the issued and outstanding Common Shares of VRI immediately after closing of the acquisition. Accordingly, for accounting purposes Las Dunas has been treated as the acquiror of VRI.

**Vena Resources Inc.**  
*(formerly Oceanus Water Purity Inc.)*

**Notes to Unaudited Consolidated Financial Statements**

**March 31, 2005**

**2. Acquisitions of Businesses (Continued)**

***Acquisition of Compañía Las Dunas De Oro S.A.C. (Continued)***

The consolidated balance sheet of the Company is based upon the accounts of Las Dunas at its historic net book value, which have been consolidated with the accounts of VRI at the estimated fair value of net assets acquired at the time of the acquisition. The consolidated statements of operations and deficit and changes in cash flow represent the results of operations and changes in cash flow of Las Dunas for the period October 1, 2004 to March 31, 2005 together with the results of operations and changes in cash flow of VRI from October 1, 2004 to March 31, 2005.

The deemed acquisition of VRI is recorded at an ascribed value of \$1,961, and is based on the fair value of the assets and liabilities acquired, which are summarized as follows:

Cash	\$ 3,000
Other current assets	2,557
Current liabilities	(3,596)
Fair value of net assets acquired	\$ 1,961

***Acquisition of Vena Resources (2004) Inc.***

Effective April 17, 2004, Vena acquired 100% of the outstanding common shares and warrants of VRI for a total cost of \$4,833. As consideration Vena issued 24,167,000 common shares for VRI's shares and 2,500,000 purchase warrant for VRI's warrants. Each Vena warrant issued entitles the holder to acquire one common share for \$0.25 for a period of one year from the issue date of the original VRI warrants. VRI was incorporated on November 28, 2003 under the laws of Ontario and began active operations when it acquired Compañía Las Dunas De Oro S.A.C. (see above). VRI operates principally as a holding company as its principal asset is represented by the shares of Las Dunas.

The acquisition has been accounted for by the purchase method as a reverse takeover of Vena by VRI since the then existing shareholders of VRI own 91% of the issued and outstanding Common Shares of Vena immediately after closing of the acquisition. Accordingly, for accounting purposes VRI has been treated as the acquiror of Vena.

The consolidated balance sheet of the Company is based upon the accounts of VRI at its historic net book value, which have been consolidated with the accounts of Vena at the estimated fair value of net assets acquired at the time of the acquisition. The consolidated statement of operations and deficit and changes in cash flow represent the results of operations and changes in cash flow of VRI for the period from October 1, 2004 to March 31, 2005 together with the results of operations and changes in cash flow of Vena from October 1, 2004 to March 31, 2005.

**Vena Resources Inc.**  
*(formerly Oceanus Water Purity Inc.)*

**Notes to Unaudited Consolidated Financial Statements**

**March 31, 2005**

**2. Acquisitions of Businesses** *(Continued)*

The deemed acquisition of VRI is recorded at an ascribed value of \$4,833, and is based on the fair value of the assets and liabilities acquired, which are summarized as follows:

Cash	\$	-
Other current assets		141
Current liabilities		(1,808)
Deficiency in net assets acquired		(1,667)
Fair value of consideration paid		4,833
Excess of purchase price over deficiency in net assets acquired	\$	6,500

The excess of the purchase price paid over the deficiency in net assets acquired was allocated to mineral properties.

**3. Capital Stock**

***Share Capital***

Vena is authorized to issue an unlimited number of common shares without par value. On April 16, 2004, the Company filed Articles of Amendment to consolidate each of the issued and outstanding common shares by changing up to every three issued and outstanding common shares into one common share with fractions to be rounded to the nearest whole number.

**Vena Resources Inc.**  
(formerly Oceanus Water Purity Inc.)

**Notes to Unaudited Consolidated Financial Statements**

**March 31, 2005**

**3. Capital Stock (Continued)**

**Share Capital**

Vena's issued and outstanding common shares are as follows:

	No.	
Issuance of shares:		
Cash upon incorporation on December 11, 2003	1,216,361	\$ 197
Deemed acquisition of Vena Resources (2004) Inc. (Note 2)	3,562,201	1,916
Private placements for cash consideration	1,872,907	1,616,750
Acquisition of mineral properties	347,531	300,000
	6,999,000	1,918,863
3:1 stock consolidation	(4,666,000)	-
Rounding on stock consolidation	13	-
	2,333,013	1,918,863
Deemed acquisition of Vena Resources Inc. (Note 2)	24,167,000	4,833
Cash upon exercise of warrants	62,500	15,625
Balance at September 30, 2004	26,562,513	1,939,321
Non-brokered private placement for cash consideration	1,199,000	479,600
Private placements for cash consideration, net	4,277,500	1,625,950
Cash upon exercise of warrants	144,000	36,000
Private placements for cash consideration, net	7,002,227	3,256,025
Fair value of warrants	-	(1,995,634)
Balance at March 31, 2005	39,185,240	\$ 5,341,172

Subsequent to March 31, 2005, 1,569,652 common shares were issued for total consideration of \$364,944.

**Warrants**

As of March 31, 2005, Vena has outstanding warrants as follows:

Outstanding at beginning of period	2,437,500
Exercised during the period	(144,000)
Issued during the period	6,418,864
Outstanding at March 31, 2005	8,712,364

Subsequent to March 31, 2005, 784,826 warrants were issued. 392,413 are exercisable at \$0.65 and 392,413 are exercisable at \$0.60, both of which expire on October 20, 2006.

**Vena Resources Inc.**  
(formerly Oceanus Water Purity Inc.)

**Notes to Unaudited Consolidated Financial Statements**

**March 31, 2005**

**3. Capital Stock (Continued)**

The initial 2,500,000 outstanding warrants, which were to originally expire in February 2005, entitle the holder to acquire one common share for \$0.25. In October 2004, Vena's Board of Directors passed a resolution to extend the expiry date of the warrants to August 27, 2005.

The Company has recorded the fair value of the warrants during the year using the Black-Scholes pricing model based on the following assumptions.

Number of warrants	3,501,114
Exercise price	0.52
Expected volatility	0.083919
Risk-free interest rate	2.88%
Expected life (years)	1.5
Dividend yield	-
<b>Fair value of warrants</b>	<b>\$1,995,634</b>

**Stock Options**

The Company established a stock option plan to provide additional incentive to its directors, officers, employees and consultants in their efforts on behalf of the Company in the conduct of its affairs. Vena has the following options outstanding as at March 31, 2005:

	2005	
	Weighted Average Exercise price \$	No. of options
Outstanding, beginning of the period	-	-
Transactions during the period:		
Granted	0.63	2,625,000
Outstanding, end of the period	0.63	2,625,000
Exercisable, end of the period	0.63	2,625,000

**Vena Resources Inc.**  
(formerly Oceanus Water Purity Inc.)

**Notes to Unaudited Consolidated Financial Statements**

**March 31, 2005**

**3. Capital Stock (Continued)**

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation for the stock options granted during the period ended March 31, 2005:

Grant Date	January 21	March 21	March 22
Number of options granted	150,000	375,000	2,100,000
Exercise price	0.40	0.60	0.65
Expected volatility	0.083919	0.083919	0.083919
Risk-free interest rate	2.98	2.88	2.88
Expected life (years)	5	5	5
Dividend yield	-	-	-
Stock-based compensation	60,000	213,750	1,196,999
Expensed during the year	60,000	213,750	1,196,999

**4. Contributed Surplus**

Balance as at December 31, 2004	\$ -
Value assigned to:	
Stock options	1,470,749
Unexercised warrants	1,995,634
	<b>\$ 3,466,383</b>

**5. Mineral Properties and Deferred Expenditures**

Mineral properties and deferred expenditures	2004	Six Months Ended March 31, 2005	Three Months Ended March 31, 2005	Year Ended September 30, 2004
	Total Capitalized	Capitalized	Capitalized	Capitalized
Acquisition costs	1,045,979	287,909	\$ 52,458	\$ 758,071
Geology	272,048	119,082	\$ 66,397	\$ 152,966
Drilling	405,790	245,449	\$ 59,809	\$ 160,341
Assaying	139,008	66,874	\$ 40,679	\$ 72,133
Transportation	104,055	79,711	\$ 25,910	\$ 24,344
Labour	128,706	48,921	\$ 18,557	\$ 79,785
Amortization	10,316	1,633	\$ (971)	\$ 8,683
Other	177,668	84,313	\$ 43,274	\$ 93,355
Facilities and machinery - net	247,047	54,281	\$ 22,010	\$ 192,765
	<b>2,530,617</b>	<b>988,173</b>	<b>328,124</b>	<b>1,542,444</b>

**Vena Resources Inc.**  
*(formerly Oceanus Water Purity Inc.)*

**Notes to Unaudited Consolidated Financial Statements**

**March 31, 2005**

**6. Related Party Transactions**

During the period, Vena incurred \$124,667 and \$30,000 in consulting and accounting fees respectively, with its directors, senior officers and/or companies to which the directors and/or officers are related.

As at March 31, 2005, there are related party balances in the amount of \$27,350 included in accounts payable and accrued liabilities.

On March 31, 2005, the Company granted a director 150,000 options. The Options are exercisable at \$0.40 expiring on January 21, 2007.

**7. Subsequent Events**

On April 18, 2005, Vena signed a purchase option agreement with Inca Gold, a private Peruvian exploration company. The eight properties are all located in Alto Chicama - Yanacocha structural corridor and comprise 22,486 hectares.

The basis for the purchase consists of a one time payment of US\$60,000 plus 800,000 shares of Vena stock, the issuance of which is subject to regulatory approval. In the event, Vena sells or otherwise transfers its interests in the concessions in whole or in part, Inca Gold will receive a cash payment equal to 10% of the purchase or transfer price. If Vena decides to drop the concessions they will be transferred back to Inca Gold in the Peruvian Public Registry.

On April 20, 2005, Vena announced it has received metallurgical results on the re-treatment of its Azulcocha poly-metallic stockpile. The Company has also located and purchased the complete and original geology, mine plan and exploration data for the original Minera Gran Bretana mine.