

FORUM DEVELOPMENT CORP.

ANNUAL REPORT

FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003

MANAGEMENT DISCUSSION AND ANALYSIS

March 31, 2005

Description of Business

The Company is in the business of acquiring and exploring energy projects which to date include coalbed methane, coal, and uranium properties. There has been no determination whether these properties contain reserves which are economically recoverable.

The recoverability of values assigned to these energy properties is dependent upon the discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

Selected Annual Information

	November 30, 2004	November 30, 2003	November 30, 2002
Financial results			
Net loss for period	263,009	110,621	155,654
Basic and diluted loss per share	0.04	0.03	0.04
Expenditures (recovered) on resource properties	4,481	24,651	(4,205)
Balance sheet data			
Cash and short term deposits	344,419	151,200	79,817
Resource properties	95,151	97,846	102,446
Total assets	556,913	320,967	236,611
Shareholders' equity #	443,120	263,849	123,660

March 31, 2003 to December 31, 2003 have been restated

Results of Operations

The loss for the year ended November 30, 2004 was \$263,009 as compared to a loss of \$110,621 for the previous financial year. Excluding the write-downs, the loss for the current year was \$ 209,341 versus a loss of \$110,621 the previous year. General, administration and investor relation expenses increased by \$133,155 over the previous year to \$257,396. The major elements of the increase can be attributed to the cost of new management team focused on expanding the exploration of the Companies mineral properties of \$62,350, write-off of Victory note receivable of \$44,679 and additional rent of \$16,405 due to change of location and reduced rent recovery. A write-down of \$7,176 was taken against the carrying value of the Nanaimo Joint Venture.

Cash and cash equivalent balances increased by \$193,219 to \$344,419 at November 30, 2004. The cash spending for mineral properties was \$4,481. The working capital was \$ 347,969 versus working capital of \$163,645 at November 30, 2003.

All of the \$4,481 expenditures on exploration were on the Merritt Coal property in Merritt, B.C. Adjusted for write-downs, the current years exploration expenditures are \$15,169 less than the previous year.

Summary of Quarterly Results

The table below present's selected financial data for the Company's eight most recently completed quarters.

	November 30, 2004	August 31, 2004	May 31, 2004	February 29, 2004	November 30, 2003	August 31, 2003	May 31, 2003	February 28, 2003
Financial results								
Net loss for period	133,268	55,143	47,057	27,541	29,007	12,366	28,035	41,213
Basic and diluted loss per share	0.01	0.01	0.01	0.01	-	0.01	0.01	0.01
Expenditures on resource properties	2,991	536	53	900	2,414	4,331	434	4,876
Balance sheet data								
Cash and short term deposits	344,419	17,357	77,843	121,605	151,200	3,700	5,583	2,704
Resource properties	95,151	91,895	94,299	98,746	97,846	98,300	112,756	107,322
Total assets	556,913	205,201	257,608	295,639	320,967	167,462	169,498	160,961
Shareholders' equity #	443,120	139,102	194,251	236,308	263,849	47,048	59,414	82,449

March 31, 2003 to December 31, 2003 have been restated

Liquidity

The Company's exploration programs for the current financial year have been budgeted and can be completed with current finances and 2005 planned private placements.

The financial statements from Schedule A have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	November 30, 2004	November 30, 2003
Working capital	\$ 347,969	\$ 163,645
Deficit	(4,363,471)	(4,100,462)

Transactions with Related Parties

During the year ended November 30, 2004, the Company paid in cash or accrued \$89,850 (2003 – \$30,500) to Directors and officers or consulting companies controlled by Directors and officers of the Company for professional, technical and managerial services.

Rent expenses of \$5,625 (2003 – \$6,000) were due from companies controlled by a director.

As at November 30, 2004, the Company has amounts payable of \$61,690 (2003 accounts receivable – \$5,251) from directors or corporations controlled by directors of the Company. Amounts due from related parties are unsecured, non-interest bearing and have no specific terms of repayment

Fourth Quarter

The loss for the quarter ended November 30, 2004 was \$133,268 as compared to a loss of \$29,007 for the previous year. Excluding the write-downs, the loss for the quarter was \$ 87,094 versus a loss of \$ 29,007 the previous year. General, administration and investor relation expenses increased by \$104,559 over the previous year to \$134,381. The major elements of the increase can be attributed to the cost of new management team focused on expanding the exploration of the Companies mineral properties of \$19,735, write-off of Victory note receivable of \$44,679, additional rent of \$10,375 due to change of location and reduced rent recovery and \$17,066 in consulting fees.

All of the \$2,931 expenditures on exploration were on the Merritt Coal property in Merritt, B.C

Off-Balance Sheet Arrangements

The company issued 2,931,667 flow-through shares in December 2004 in the amount of \$446,000 which is committed to development during 2005.

All other commitments of the company are outlined in note 12 of the 2004 Annual Report.

Share Capital Information

During the period commencing on November 30, 2004 and ending on the date of this report, there was no material change in the total number of the Company's issued and outstanding common shares or the number of common shares on a fully diluted basis. The table below presents the Company's common share data as of March 31, 2005.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			18,297,994
Securities convertible into common shares			
Warrants	\$0.10	March 18, 2005	2,008,100
	\$0.15	March 18, 2006	
	\$0.15	November 23, 2005	3,594,000
	\$0.18	December 15, 2005	1,423,333
	\$0.18	December 21, 2005	625,000
	\$0.15	November 23, 2006	1,575,000
Options	\$0.10	September 6, 2007	205,000
	\$0.21	December 2, 2009	1,000,000
			28,728,427

Private Placement

On November 23, 2004 the Company announced that it arranged a private placement in the amount of 3,594,000 units of the Company at a price of \$0.12 per unit for total proceeds of \$431,280. Each unit consists of one common share in the capital of the Company and one non-transferable common share purchase warrant. The warrants have an exercise term of one year. One whole warrant and \$0.15 will entitle the holder to acquire an additional common share of the Company during the first year.

Private Placement(continued)

During the period the Company completed its private placement of 2,508,100 units at \$0.10 for proceeds of \$250,810.

Investment in Energy Properties

	November 30, 2003	Acquisition Cost	Deferred Exploration	Write-down/ depreciation	November 30, 2004
Merritt Coal	\$ 83,170	\$ -	\$ 4,481	\$ -	\$ 87,651
Nanaimo	7,176	-	-	(7,176)	-
Lignite Syndicate	7,500	-	-	-	7,500
Total mineral properties	\$ 97,846	\$ -	\$ 4,481	\$ (7,176)	\$ 95,151

	November 30, 2002	Acquisition Cost	Deferred Exploration	Write-down/ depreciation	November 30, 2003
Merritt Coal	\$ 75,046	\$ -	\$ 8,124	\$ -	\$ 83,170
Nanaimo	4,909	-	2,267	-	7,176
Lignite Syndicate	7,500	-	-	-	7,500
Groundhog and Trefi projects	14,991	5,000	9,260	(29,251)	-
Total mineral properties	\$ 102,446	\$ 5,000	\$ 19,651	\$ (29,251)	\$ 97,846

PROJECT	INTEREST	COMMODITY	LOCATION	AREA (Hectares)
Merritt	100%	Coal/Natural Gas in Coal	Merritt, British Columbia	Freehold (505) Coal Licence Applications (996)
Coal River	40%	Lignite	Northern B.C.	717
Maurice Point	100%	Uranium	Saskatchewan	47,090
Key Lake Road	100%	Uranium	Saskatchewan	83,290

Merritt Coal Project

Forum Development Corp. is evaluating the Natural Gas in Coal (NGC) potential of the Merritt Coalfield, located 250 kilometres east of Vancouver, British Columbia, Canada. The Company is planning an exploration borehole to test for potential quantity and flow rates of natural gas from coal seams in the area. Potential markets for NGC include a Cogeneration Project to supply power to local industry, direct sales to local and commercial consumers and/or a connection to the national gas pipeline, five kilometres from the project site.

The British Columbia Ministry of Energy and Mines have estimated potential resources of 52 billion cubic feet in the whole of the Merritt Coalfield. The Company plans a borehole designed to evaluate the natural gas content and potential flow rates of natural gas from the coals.

Uranium Projects

The Company has acquired two prospective properties for uranium in the Athabasca Basin of Northern Saskatchewan. Airborne geophysical programs and surface exploration are planned on both properties in 2005, followed by a drill program in the winter of 2006. The extent of these programs is contingent upon the

Company raising further financing. To maintain the current permit and claim areas, first year expenditure requirements are \$26,316 and second year requirements are \$396,656 for the Maurice Point project. To maintain the current permit areas for the Key lake Road project, the first year expenditure requirement is \$166,580 and second year requirement is \$333,160. The purpose of the proposed initial exploration program is to determine the area where the best potential for an economic uranium deposit potentially exists and reduce the permit size to minimize the second year expenditure requirements to keep the properties in good standing.

Investor Relations

The Company did not enter into any investor relations contracts during or subsequent to the period.

Subsequent Events

Subsequent to year-end

1. Obtained Mineral Prospecting Permits for claims staked in Maurice Point and Key Lake Road Projects in the Athabasca Basin, Saskatchewan, for which it had paid \$82,000 in deposits and incurred \$2,800 in preliminary work.
2. Issued 1,383,334 common shares for total proceeds of \$209,000 from the exercise of warrants.
3. Assumed a receivable amount of \$62,000 from Gosfield Associates Corp.
4. Issued 2,307,667 common shares with respect to private placement which funds of \$6,000 were received in November 2004 and \$340,000 subsequent to year-end.
5. Under its Share Option Plan allocated share options to purchase 1,000,000 shares of the Company, exercisable on or before December 2, 2009 at \$0.21 per share.
6. Issued shares with respect to a private placement announcement on December 8, 2004. The private placement consists of 625,000 units at \$0.16 per unit for total proceeds of \$100,000. Each unit consists of one flow through common share and one non flow through warrant. Each warrant entitles the holder to purchase additional non flow through common share at a price of \$0.18 expiring on December 21, 2005. All securities are subject to a four month hold period.
7. Issued 265,000 common shares for total proceeds of \$26,500 from the exercise of stock options.
8. Issued 3,150,000 common shares at a deemed value of \$0.10 per share and 1,575,000 warrants, each warrant entitles the holder to acquire one common share of the Company at \$0.15 per share for a period of two years, to acquire the 40% undivided interest in the Merritt basin coal and coalbed methane natural gas project from Gosfield Associates Corp.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the Annual Report are the responsibility of management and the Board of Directors. The financial statements are prepared in accordance with accounting principles generally accepted in Canada and where appropriate, reflect management's best estimates and judgments, based on currently available information. Management maintains internal accounting controls and review procedures and believes these provide reasonable, cost effective assurance of the reliability and relevance of financial information.

The Audit Committee of the Board of Directors is composed of three Directors, two of whom are outside Directors. The Committee meets periodically with management and the independent auditors to review the scope and results of the annual audit, the financial statements and related financial reporting matters, prior to submitting the financial statements to the Board for approval.

The Company's independent auditors are appointed by the shareholders. Their report outlines the scope of their examination and their opinion on the financial statements.

DATE March 31, 2005

A. Balme
Chairman of the Board

Richard Mazur
President & CEO

AUDITORS' REPORT TO THE SHAREHOLDERS OF FORUM DEVELOPMENT CORP.

We have audited the balance sheets of Forum Development Corp. a development stage company, as at November 30, 2004 and 2003 and the statements of loss and deficit and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2004 and 2003 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ Manning Elliott
Chartered Accountants
Vancouver, BC

**FORUM DEVELOPMENT CORP.
BALANCE SHEETS
AS AT NOVEMBER 30, 2004 AND 2003**

	2004	2003
ASSETS		
Current assets		
Cash and equivalents	\$ 344,419	\$ 151,200
Marketable securities (Note 3)	12,000	12,000
Accounts receivable	20,123	8,696
Note receivable (Note 4)	-	41,583
Prepaid expenses and deposits (Note 12 a)	85,220	2,033
Advances to related parties (Note 7)	-	10,751
	461,762	226,263
Equipment (Note 5)	-	2,358
Mineral properties (Note 6)	95,151	97,846
	\$ 556,913	\$ 326,467
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 52,103	\$ 57,118
Advances from related parties (Note 7)	61,690	5,500
	113,793	62,618
Shareholders' equity		
Capital stock (Note 8)	4,800,591	4,118,501
Subscription received (Note 9)	6,000	245,810
Deficit	(4,363,471)	(4,100,462)
	443,120	263,849
	\$ 556,913	\$ 326,467

Approved by the Board of Directors

/s/ Richard Mazur

Richard Mazur

/s/ Robert Anderson

Robert Anderson

FORUM DEVELOPMENT CORP.
STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003

	2004	2003
EXPENSES		
Management fees	\$89,850	\$27,500
Bad debts	44,679	-
Consulting	48,029	51,935
Regulatory	20,115	12,163
Office and miscellaneous	49,759	24,385
Investor relations	3,044	6,726
Foreign exchange loss	1,375	-
Amortization	545	720
Loss before other items	257,396	123,429
OTHER INCOME (EXPENSES)		
Interest and other income	3,376	3,068
Loss on disposal of fixed assets	(1,813)	-
(Write-off) gain on sale of mineral properties	(7,176)	9,740
	(5,613)	12,808
Loss for the period	263,009	110,621
Deficit, beginning of period	4,100,462	3,989,841
Deficit, end of period	\$ 4,363,471	\$ 4,100,462
Basic and diluted loss per common share	\$ (0.04)	\$ (0.03)
Weighted average number of common shares outstanding	6,093,926	4,331,441

FORUM DEVELOPMENT CORP.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (263,009)	\$ (110,621)
Items not affecting cash:		
Amortization	545	720
Bad debts	44,679	-
Gain on sale of mineral properties	-	(9,740)
Loss on disposal of fixed assets	1,813	-
Write-off of mineral properties	7,176	-
	(208,796)	(119,641)
Changes in non-cash working capital items:	(348,535)	(14,557)
Net cash used in operation activities	(557,331)	(134,198)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from (to) related parties - net	66,941	(47,571)
Subscriptions received	688,090	245,810
Net cash used in financing activities	755,031	198,239
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred exploration costs incurred	(4,481)	(12,055)
Property acquisition	-	(7,595)
Proceeds from sale of mineral properties	-	26,992
Net cash provided by investing activities	(4,481)	7,342
Change in cash and equivalents during the period	193,219	71,383
Cash and cash equivalents, beginning of period	151,200	79,817
Cash and cash equivalents, end of period	\$ 344,419	\$ 151,200

FORUM DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003

1. NATURE OF OPERATIONS

The Company is in the business of acquiring and exploring energy projects which to date include coal bed methane, coal, and uranium properties. There has been no determination whether properties held contain reserves which are economically recoverable.

The recoverability of values assigned to these properties is dependant upon the discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development, and future profitable productions or proceeds from disposition.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, on the assumption that the Company is a going concern. The ability of the Company to continue as a going concern is dependant on its ability to obtain continued financing to discharge its liabilities as they become due, and upon attaining future profitable operations.

Because a precise determination of certain assets and liabilities is dependant on future events, the preparation of the financial statements involves the use of estimates based on careful judgement and actual results could differ from such estimates. The financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

a) Oil and gas properties

The Company follows the full cost method of accounting for its oil and gas operations, whereby all costs of exploring and developing oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, costs of drilling both productive and non-productive wells, costs of production, and administrative charges directly related to acquisition, exploration and development activities. These costs are to be depleted using the unit-of-production method based on proven oil and gas reserves before royalties, determined by independent engineers, following commencement of production, or written off as properties are sold or abandoned.

b) Loss per share

The Company uses the treasury stock method for the calculation and presentation of both basic and diluted loss per share.

c) Fair market value of financial instruments

The carrying value of cash, marketable securities, accounts receivable, notes receivable, advances to related parties, and accounts payable approximate fair market value because of the short maturity of those instruments.

d) Stock-based compensation

Effective December 1, 2003, the Company adopted prospectively, the fair value method to recognize options granted. Accordingly, all stock-based payments are measured at the fair value of the equity instruments issued on the date of grant. The fair value of stock-based payments is periodically re-measured until counter-party performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

**FORUM DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Amortization

Amortization is recorded on the declining balance at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%

f) Income taxes

The Company uses the liability method for recording income taxes and records future income tax liabilities or assets for temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet, using tax rates anticipated to apply in the periods that the differences are expected to reverse.

3. MARKETABLE SECURITIES

Marketable securities consist of 100,000 shares of Hidefield plc at a cost of \$12,000 and market value of \$11,056

4. NOTES RECEIVABLE

The amount receivable which consists of two promissory notes of \$33,351 in aggregate plus accrued interest of \$ 11,328 was determined to be irrecoverable and written off in 2004.

5. EQUIPMENT

	Cost	Accumulated	2004	2003
	\$	Amortization	Net Book	Net Book
			Value	Value
Computer Equipment	-	-	-	732
Furniture and Equipment	-	-	-	1,626
	-	-	-	2,358

6. INVESTMENT IN OIL AND GAS PROPERTIES

a) Merritt Coal and Coalbed Methane Property, BC

The Company acquired a 60% interest in the Merritt Property (the "Property") from Imperial Metals Corporation on February 28, 2002 at the following terms:

FORUM DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003

6. INVESTMENT IN OIL AND GAS PROPERTIES (continued)

- i) cash payment of \$75,000 (paid);
- ii) the issuance of 800,000 warrants, exercisable at a price of \$0.30 per share for a two year period (issued August 6, 2002);
- iii) a 3.5% gross revenue royalty on oil and natural gas (Coalbed Methane) from the Property;
- iv) a 2.5% gross revenue royalty on coal production specifically from the property; and
- v) a 1.5% gross revenue royalty on oil and natural gas (Coalbed Methane), and a 1.0% gross revenue royalty on coal production, from lands acquired by the Company within a specified Area of Mutual Interest.

b) Joint Venture in Nanaimo, BC

The Company had established a joint venture to target coalbed gas, coal mine gas and conventional sourced natural gas in the Nanaimo basin on Vancouver Island. During the year the Company decided to drop this joint venture and the associated costs were written-off.

c) Lignite Syndicate, B.C.

In 2002, the Company acquired a 40% beneficial interest in the coal licenses and any marketable technology developed by the Lignite Syndicate for which a minimum commitment of \$7,500 was paid.

	Dec. 1, 2003	Acquisition Cost	Deferred Exploration	Disposals / Write-downs	Nov. 30, 2004 Total
	\$	\$	\$	\$	\$
Merritt Coal	82,595	-	4,481		\$87,076
Nanaimo	7,176	-	-	(7,176)	-
Lignite Syndicate	7,500	-	-		7,500
Total mineral properties	97,271	-	4,481	-	94,576

	Dec. 1, 2002	Acquisition Cost	Deferred Exploration	Disposals / Write-downs	Nov. 30, 2003 Total
	\$	\$	\$	\$	\$
Merritt Coal	75,046	7,549	575	-	\$83,170
Nanaimo	4,909	-	2,267	-	7,176
Lignite Syndicate	7,500	-	-	-	7,500
Groundhog & Trefi	14,991	5,000	9,260	(29,251)	-
Total mineral properties	102,446	12,549	12,102	-	97,846

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003**

7. ADVANCES TO AND FROM RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The advances are unsecured, without interest and fixed terms of repayment.

Included in net loss for the year at their exchange amounts are the following items:

- a. Management and consulting fees of \$89,850 (2003: \$30,500) paid to a director and companies owned by common directors.
- b. Rent expenses of \$5,625 (2003: nil) paid to a company owned by a common officer.
- c. Rent and administrative expenses of \$9,554 (2003: 17,467) recovered from companies owned by common directors.

8. CAPITAL STOCK

Authorized:

100,000,000 Common shares without par value
 100,000,000 Class A preference shares with a par value of \$10
 100,000,000 Class B preference shares with a par value of \$50

Issued:	#	\$
Balance, November 30, 2002	4,310,893	4,113,501
Issued in exchange for oil and gas properties	50,000	5,000
Balance, November 30, 2003	4,360,893	4,118,501
Issued for cash - private placements	6,102,100	682,090
Balance, November 30, 2004	10,462,993	4,800,591

- a) 2,508,100 units were issued on March 18, 2004 at \$0.10 per share for total proceeds of \$250,810. Each Unit consists of common share and one warrant, entitling the holder to purchase one common share at \$0.10 per share up to March 18, 2005 and at \$0.15 per share up to March 18, 2006.
- b) 3,594,000 units were issued on November 23, 2004 at \$0.12 per share for total proceeds of \$431,280. Each unit consists of one common share and one warrant, entitling the holder to Purchase one common share at \$0.15 per share up to November 23, 2005.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003**

8. CAPITAL STOCK(continued)

Warrants:

Warrants have been granted and are exercisable in whole or in part allowing the holders to purchase common shares of the Company as follows:

	Number of Options	Weighted Average Excise Price
Balance, November 30, 2003	1,792,150	\$ 0.29
Granted	6,102,100	0.13
Exercised	(1,792,150)	0.29
Balance, November 30, 2004	6,102,100	\$ 0.13

Of the warrants outstanding at November 30, 2004:

- a) 2,508,100 warrants are exercisable at \$0.10 per share up to March 18, 2005, and at \$0.15 per share up to March 18, 2006.
- b) 3,594,000 warrants are exercisable at \$0.15 per share expiring on November 23, 2005.

Options:

The Company has implemented a stock option plan (the "Plan") to be administered by the Board of Directors, which has the discretion to grant options for up to a maximum of 862,178 common shares. The option price under each option shall be not less than the market price on the grant date. The expiry date for each option shall be set by the Board of Directors at the time the option is issued and shall not be more than five years after grant date. The minimum vesting requirements shall be 12.5% of the option upon TSX Venture Exchange approval, and 12.5% every three months thereafter.

Stock option transactions were as follows:

	Number of Options	Weighted Average Excise Price
Balance, November 30, 2003	855,000	\$ 0.10
Cancelled	(275,000)	0.10
Balance, November 30, 2004	580,000	\$ 0.10

There were no stock options granted during the year. The 580,000 options outstanding at November 30, 2004 are exercisable at \$0.10 each expiring on September 6, 2007. The weighted average remaining contractual life of these outstanding options is 2.8 years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003**

9. SUBSCRIPTIONS RECEIVED

The company arranged a non-brokered private placement for 2,306,667 units and \$0.15 per unit for total proceeds of \$346,000. Each unit consists of one common share and one non-transferable common share purchase warrant exercisable at \$0.18 per share expiring on December 15, 2005. The shares were issued subsequent to year-end (see note 13(b)). Subscriptions of \$6,000 were received during the year.

10. LOSSES CARRIED FORWARD

The Company has approximately \$857,500 (2003: \$684,000) in non-capital losses which can be applied to reduce future taxable income, expiring as follows:

	\$
2006	80,500
2007	100,500
2008	183,000
2009	151,000
2010	90,500
2011	252,000

In addition, Canadian Exploration Expenses of approximately \$146,100 (2003: \$141,700), and Foreign Development and Exploration Expenses of approximately \$64,600 (2003: \$64,600) are available to reduce future taxable income.

11. COMMITMENT

The Company agreed to acquire the assets of Gosfield Associates Corp. ("Gosfield"), a British Virgin Islands company controlled by a director of the Company, with its main office registered in Tortola, Gibraltar by issuing 3.15 million common shares and 1,575,000 warrants to Gosfield's shareholders. Each warrant will entitle the holder to acquire one common share of the Company at \$0.15 per share for a period of two years. The Company has undertaken to place up to 2 million shares at \$0.10, with 1:1 warrants exercisable at \$0.10 per share if exercised within the first year, and \$0.15 per share if exercised in the second year, proceeds of which will be dedicated to completion of the transaction. In exchange, the Company will receive from Gosfield its 40% undivided interest in the Merritt basin coal and coalbed methane natural gas project, specifically known as Fee Lot 166, located adjacent to the town of Merritt, BC, and its industrial commercial area. The Company will also receive Gosfield's 40% interest in coal licenses known as the Normanandale, Diamondvale and Merritt Extension Merritt basin, a 20% interest in the Lignite coal syndicate with holdings in BC. Subsequent to year-end, to acquire the remaining 40% interest from Gosfield, the Company issued 3,150,000 shares at a deemed value of \$0.10 per share and 1,575,000 warrants, each warrant entitles the holder to acquire one common share of the Company at \$0.15 per share for a period of two years. See Note 13(d).

FORUM DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003

11. Commitment (continued)

Upon completion of the agreement, the Company will have a 100% interest in the Merritt coal and coalbed methane project (Note 6(a)), a 100% in the surrounding coal licenses, and a 40% interest in the Lignite syndicate in B.C. (Note 6(c)). Following completion of this transaction, the Company and Gosfield intend to arrange a further financing of a minimum of \$500,000 to be used to implement the existing business plan to acquire, explore and develop coalbed methane resources in BC.

12. SUBSEQUENT EVENTS

Subsequent to year-end, the Company:

- a) Obtained Mineral Prospecting Permits for claims staked in Maurice Point and Key Lake Road Projects in the Athabasca Basin, Saskatchewan, for which it had paid \$82,000 in deposits and incurred \$2,800 in preliminary work.
- b) Issued 2,306,667 common shares with respect to private placement as stated in Note 9 above.
- c) Issued shares with respect to a private placement announcement on December 8, 2004. The private placement consists of 625,000 units at \$0.16 per unit for total proceeds of \$100,000. Each unit consists of one flow through common share and one non flow through warrant. Each warrant entitles the holder to purchase additional non flow through common share at a price of \$0.18 expiring on December 21, 2005. All securities are subject to a four month hold period.
- d) Issued 3,150,000 common shares at a deemed value of \$0.10 per share and 1,575,000 warrants, each warrant entitles the holder to acquire one common share of the Company at \$0.15 per share for a period of two years, to acquire the 40% undivided interest in the Merritt basin coal and coalbed methane natural gas project from Gosfield Associates Corp. as stated on Note 11 above.
- e) Assumed a receivable amount of \$62,000 from Gosfield Associates Corp.
- f) Issued 1,383,334 common shares for total proceeds of \$209,000 from the exercise of warrants.
- g) Issued 265,000 common shares for total proceeds of \$26,500 from the exercise of stock options.
- h) Under its Share Option Plan allocated share options to purchase 1,000,000 shares of the Company, exercisable on or before December 2, 2009 at \$0.21 per share.