

# **FORUM DEVELOPMENT CORP.**

Interim Financial Statements  
For the Six Month Period Ended  
May 31, 2005

(Unaudited and Prepared by Management)

**Auditor Review** - These interim financial statements and related schedules were prepared by management. They have not been reviewed by the Company's external independent auditor.

# FORUM DEVELOPMENT CORP.

(An Exploration Stage Company)

Balance Sheets

	May 31, 2005	November 30, 2004
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 605,831	\$ 344,419
Marketable securities (Note 3)	12,000	12,000
Accounts receivable	38,551	20,123
Prepaid expenses and deposits	17,464	85,220
Subscription receivable	15,000	-
	<b>688,846</b>	<b>461,762</b>
<b>Note receivable</b> (Note 4)	<b>62,000</b>	<b>-</b>
<b>Equipment</b> (Note 5)	<b>24,394</b>	<b>-</b>
<b>Mineral properties</b> (Note 6)	<b>689,862</b>	<b>95,151</b>
	<b>\$ 1,465,102</b>	<b>\$ 556,913</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 41,408	\$ 52,103
Advances from related parties (Note 7)	12,256	61,690
	<b>53,664</b>	<b>113,793</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Capital stock</b> (Note 8)	<b>5,969,393</b>	<b>4,800,591</b>
<b>Contributed surplus</b>	<b>152,890</b>	<b>-</b>
<b>Subscription received</b>	<b>-</b>	<b>6,000</b>
<b>Deficit</b>	<b>(4,710,845)</b>	<b>(4,363,471)</b>
	<b>1,411,438</b>	<b>443,120</b>
	<b>\$ 1,465,102</b>	<b>\$ 556,913</b>

Nature of Operations – Note 1

Approved by the Board of Directors

/s/ Richard Mazur

Richard Mazur

/s/ Robert Anderson

Robert Anderson

The accompanying notes are an integral part of these financial statements

# FORUM DEVELOPMENT CORP.

(An Exploration Stage Company)

Statements of Loss and Deficit

	<b>Three Months Ended May 31, 2005</b>	Three Months Ended May 31, 2004	<b>Six Months Ended May 31, 2005</b>	Six Months Ended May 31, 2004
<b>Expenses</b>				
Stock-option compensation	\$ 135,784	\$ -	\$ 135,784	\$ -
Management fees	52,250	7,500	102,750	15,000
Office and miscellaneous	22,127	13,863	41,031	20,092
Consulting	12,412	16,497	30,117	25,397
Regulatory	7,172	5,332	16,535	10,876
Investor relations	6,892	-	8,569	-
Directors fees	6,750	-	13,500	-
Amortization	752	136	805	272
<b>Loss before other items</b>	<b>244,139</b>	43,328	<b>349,091</b>	71,637
<b>Other Items</b>				
Interest and other income	(1,715)	(771)	(1,715)	(1,539)
Write-off of oil and gas interest	-	4,500	-	4,500
	(1,715)	3,729	(1,715)	2,961
<b>Net loss for the period</b>	<b>242,424</b>	47,057	<b>347,376</b>	74,598
<b>Deficit, Beginning of the Period</b>	<b>4,468,421</b>	4,100,462	<b>4,363,469</b>	4,100,462
<b>Deficit, End of the Period</b>	<b>\$ 4,710,845</b>	\$ 4,147,519	<b>\$ 4,710,845</b>	\$ 4,175,060
<b>Basic and Diluted Loss per share</b>	<b>\$ 0.01</b>	\$ 0.01	<b>\$ 0.02</b>	\$ 0.02
<b>Weighted average shares outstanding</b>	<b>19,960,746</b>	5,128,399	<b>18,340,731</b>	5,128,399

The accompanying notes are an integral part of these financial statements

## FORUM DEVELOPMENT CORP.

(An Exploration Stage Company)

Statements of Cash Flows

	<b>Three Months Ended May 31, 2005</b>	Three Months Ended May 31, 2004	<b>Six Months Ended May 31, 2005</b>	Six Months Ended May 31, 2004
<b>Cash Was Provided By (Used In):</b>				
<b>Operating Activities</b>				
Loss for the period	\$ (242,424)	\$ (47,057)	\$ (347,376)	\$ (74,598)
Items not affecting cash:				
Amortization	753	136	805	272
Stock-option compensation	135,784	-	135,784	-
Bad debt	6,000	-	6,000	-
Write-off of oil and gas interest	-	4,500	-	4,500
	<b>(99,887)</b>	(42,421)	<b>(204,787)</b>	(69,826)
Changes in non-cash working capital items:	<b>(54,577)</b>	2,437	<b>20,742</b>	3,962
Net cash used in operation activities	<b>(154,464)</b>	(39,984)	<b>(184,045)</b>	(65,864)
<b>Financing Activities</b>				
Advances to related parties - net	12,278	(8,725)	(49,434)	(11,540)
Shares issued for cash	95,090	250,810	867,810	250,810
Subscriptions receivable	16,426	-	(15,000)	-
Subscriptions received	(11,000)	(245,810)	(6,000)	(245,810)
Net cash used in financing activities	<b>112,794</b>	(3,725)	<b>797,376</b>	(6,540)
<b>Investing Activities</b>				
Deferred exploration costs incurred	(117,124)	(53)	(198,735)	(953)
Property acquisition	(83,466)	-	(127,985)	-
Purchase of capital assets	(23,800)	-	(25,199)	-
Net cash provided by investing activities	<b>(224,390)</b>	(53)	<b>(351,919)</b>	(953)
<b>Increase / (Decrease) in Cash</b>	<b>(266,060)</b>	(43,762)	<b>261,412</b>	(73,357)
<b>Cash, Beginning of the Period</b>	<b>871,891</b>	121,605	<b>344,419</b>	151,200
<b>Cash, End of the Period</b>	<b>\$ 605,831</b>	\$ 77,843	<b>\$ 605,831</b>	\$ 77,843

Supplementary Cash Flow Information- Note 9

The accompanying notes are an integral part of these financial statements

# FORUM DEVELOPMENT CORP.

Notes to the Interim Financial Statements  
For the Six-Month Period Ended May 31, 2005

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## 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) 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.

# FORUM DEVELOPMENT CORP.

Notes to the Interim Financial Statements  
For the Six-Month Period Ended May 31, 2005

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## 2. Significant Accounting Policies (continued)

### d) Stock-based compensation

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.

### e) Amortization

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

Computer equipment	30%
Furniture and equipment	20%
Exploration equipment	30%

### 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 \$12,544 on May 31, 2005.

## 4. Notes Receivable

The amount receivable consist of a promissory notes of \$62,000 (2004- \$nil) which was acquired as part of the Merritt Coal acquisition from Gosfield Associates.

## 5. Equipment

	Cost	Accumulated	2005	2004
	\$	Amortization	Net Book	Net Book
			Value	Value
Exploration equipment	23,800	595	23,205	-
Computer Equipment	1,399	52	1,347	-
	25,199	647	24,552	-

## FORUM DEVELOPMENT CORP.

Notes to the Interim Financial Statements  
For the Six-Month Period Ended May 31, 2005

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### 6. Investment in Mineral 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:

- 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.

The Company acquired the assets of Gosfield Associates Corp. ("Gosfield"), a British Virgin Islands private 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 placed 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 received 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 also received Gosfield's 40% interest in coal license applications known as the Normanandale, Diamondvale and Merritt Extension Merritt basin and a 20% interest in the Lignite coal syndicate with holdings in BC.

The Company now has a 100% interest in the Merritt coal and coalbed methane project (Note 6(a)), a 100% interest in the surrounding coal license applications, and a 40% interest in the Lignite syndicate in B.C. (Note 6(c)).

#### b) 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.

#### c) Key Lake Road

The Company has acquired exploration permits totalling 83,290 covering the Key Lake Road Project located 20 kilometres southwest of Key Lake Mine Complex operated by Cameco Corporation in Northern Saskatchewan. The Key Lake uranium deposit, an unconformity-related deposit, was discovered in 1975 and produced 195 million pounds of uranium with an average grade of 2.5% U3O8 during a fifteen year mine life from 1983 to 1997.

# FORUM DEVELOPMENT CORP.

Notes to the Interim Financial Statements  
For the Six-Month Period Ended May 31, 2005

## 6. Investment in Mineral Properties (continued)

### d) Maurice Point

The Company has staked eight mineral claims and acquired exploration permit, totalling 47,090 hectares, in Maurice Point which is in the vicinity of Cameco Corporation's Maurice Bay deposit. The Maurice Bay deposit, discovered in 1977, hosts significant uranium mineralization in sandstone-hosted, unconformity-associated deposits (Main Zone and B Zone) and structurally controlled deposits in silicified basement rocks (A Zone). This latter style of mineralization contains higher grade pitchblende mineralization with grades intersected in drilling of up to 3% U3O8 over 13 metres.

### e) Haultain River

Ongoing evaluation of assessment work from exploration in the 1970's and 1980's led to the staking of 14,898 hectares of claims extending southwest of the Key Lake Road permit. Numerous showings of uranium on surface, grading up to 7.6% U3O8 in grade samples were identified during data compilation.

This area will be prospected and mapped in conjunction with the Key Lake Road exploration program.

	Nov. 30, 2004	Acquisition	Deferred	Disposals /	31-May-05
	Total	Cost	Exploration	Write-downs	Total
	\$	\$	\$	\$	\$
Merritt Coal	87,651	253,000	10,362	-	351,013
Lignite Syndicate	7,500	-	-	-	7,500
Key Lake Road	-	44,519	26,368	-	70,887
Maurice Point	-	55,966	154,262	-	210,228
Haultain River	-	27,500	-	-	27,500
Other	-	-	24,850	-	24,850
<b>Total mineral properties</b>	<b>95,151</b>	<b>380,985</b>	<b>215,842</b>	<b>-</b>	<b>691,978</b>

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

# FORUM DEVELOPMENT CORP.

Notes to the Interim Financial Statements  
For the Six-Month Period Ended May 31, 2005

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## 7. 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 \$111,750 (2004: \$89,850) paid to a director and companies owned by common directors.
- b. Rent and administrative expenses of \$9,750 (2004: \$9,554) recovered from companies owned by common directors and officers.

## 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, 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
Issued for cash - private placements	2,931,667	446,000
Issued in exchange for mineral properties	3,150,000	315,000
Issued in exchange for warrants	3,141,434	384,811
Issued in exchange for options	370,000	37,000
Share issuance costs	-	-14,009
Balance, May 31, 2005	20,056,094	5,969,393

- a) 2,306,100 flow-through units were issued on December 14, 2004 at \$0.15 per share for net proceeds of \$332,000. Each Unit consists of common share and one warrant, entitling the holder to purchase one common share at \$0.18 per share 15 per share up to December 15, 2005.
- b) 3,150,000 units were issued on December 9, 2004 at \$0.10 per share in exchange for the remaining 40% interest in the Merritt Coal property from Gosfield. Each Unit consists of common share and one-half a warrant, entitling the holder to purchase one common share at \$0.15 per share up to December 9, 2007.
- c) 625,000 flow-through units were issued on December 21, 2004 at \$0.16 per share for total proceeds of \$100,000. Each unit consists of one common share and one warrant, entitling the holder to purchase one common share at \$0.18 per share up to December 21, 2005.

## FORUM DEVELOPMENT CORP.

Notes to the Interim Financial Statements  
For the Six-Month Period Ended May 31, 2005

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### 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 Warrants	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
Granted	4,506,667	0.17
Exercised	(3,141,434)	0.12
Balance, May 31, 2005	7,467,333	\$ 0.16

Of the warrants outstanding at May 31, 2005:

- 1,575,000 warrants are exercisable at \$0.18 per share up to December 9, 2007.
- 3,594,000 warrants are exercisable at \$0.15 per share expiring on November 23, 2005.
- 1,423,333 warrants are exercisable at \$0.18 per share up to December 15, 2005.
- 625,000 warrants are exercisable at \$0.18 per share up to December 21, 2005.
- 250,000 warrants are exercisable at \$0.15 per share up to March 18, 2006.

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 1,373,798 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.

## FORUM DEVELOPMENT CORP.

Notes to the Interim Financial Statements  
For the Six-Month Period Ended May 31, 2005

### 8. Capital Stock (continued)

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
Granted	1,715,000	0.22
Cancelled	(5,000)	0.10
Exercised	(370,000)	0.10
Balance, May 31, 2005	1,920,000	\$ 0.21

There were 1,000,000 stock options granted during the year at a price of \$0.21 per share and exercisable on or before December 2, 2009 and 715,000 at a price of \$0.24 per share and exercisable on or before May 12, 2010. The remaining 205,000 options outstanding at May 31, 2005 are exercisable at \$0.10 each expiring on September 6, 2007. The weighted average remaining contractual life of these outstanding options is 4.4 years.

### 9. Supplement Cash Flow Information

	2005	2004
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

Other Non-cash Investing and Financing Activities:

During the first quarter, the Company issued 3.15 million common shares and 1,575,000 warrants to acquire the assets of Gosfield.

### 10. Subsequent Events

Effective July 28, 2005 the Company received approval from the TSX Venture Exchange to the completion of the first tranche of its \$1 million private placement previously announced July 5, 2005. The placement consists of 632,000 flow through common shares to be issued at a price of \$0.25 per share for gross proceeds of \$158,000 and 2,481,725 non flow through units to be issued at a price of \$0.20 per unit, each unit being comprised of one common share and one half of one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at a price of \$0.30 expiring July 28, 2005. Finder's fees are to be paid on a portion of the financing in the amount of \$11,760 and 56,560 warrants will be issued with the same terms as those issued to subscribers.

**FORUM DEVELOPMENT CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE SECOND QUARTER ENDED MAY 31, 2005**

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## INTRODUCTION

The following discussion of performance and financial condition should be read in conjunction with the interim unaudited financial statements of the Company for the quarter ended May 31, 2005 and the audited financial statements for the year ended November 30, 2004. The Company's financial statements are prepared in accordance with Canadian GAAP. The Company's reporting currency is Canadian dollars unless otherwise stated. The date of this Management's Discussion and Analysis is July 29, 2005.

## DESCRIPTION OF BUSINESS

Forum Development Corp. (the "Company") was incorporated under the provisions of the Company Act (British Columbia) on June 16, 1987. The Company is listed on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer under the trading symbol - **FDC**.

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

	May 31, 2005	November 30, 2004	November 30, 2003	November 30, 2002
<b>Financial results</b>				
Net loss for period	347,375	263,009	110,621	155,654
Basic and diluted loss per share	0.02	0.04	0.03	0.04
Expenditures (recovered) on resource properties	594,711	4,481	24,651	(4,205)
<b>Balance sheet data</b>				
Cash and short term deposits	605,831	344,419	151,200	79,817
Resource properties	689,862	95,151	97,846	102,446
Total assets	1,465,102	556,913	320,967	236,611
Shareholders' equity #	1,411,438	443,120	263,849	123,660

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

**FORUM DEVELOPMENT CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE SECOND QUARTER ENDED MAY 31, 2005**

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**RESULTS OF OPERATIONS**

**Current Quarter**

The Company incurred a \$242,424 loss for the quarter ended May 31, 2005 as compared to a loss of \$47,057 for the same period last year. This amounts to a \$195,367 (515%) increase over the prior period which can be attributed to stock-based compensation (\$135,784), additional senior management and technical support personnel (\$36,750), and expanded regulatory and administrative services (\$20,500) as well as investor relations and corporate communications (\$6,892, announced May 2, 2005).

Cash and cash equivalent balances decreased by \$266,060 to \$605,831 at May 31, 2005. The cash spending for mineral properties was \$200,590. The \$200,590 in cash expenditures on exploration included \$140,724 on Maurice Point, \$27,500 on Haultain River, \$14,261 on Key Lake Road, \$10,362 on the Merritt Coal property and \$7,743 on new projects.

**Year-to-date**

The Company incurred a \$347,376 loss for the two quarters ended May 31, 2005 as compared to a loss of \$74,598 for the same period last year. This amounts to a \$272,778 (466%) increase over the prior period which can be attributed to stock-based compensation (\$135,784), additional senior management and technical support personnel (\$66,910), and expanded regulatory and administrative services (\$40,000) as well as investor relations and corporate communications (\$8,569, announced May 2, 2005).

Cash and cash equivalent balances has increased by \$261,412 to \$605,831 at May 31, 2005. The cash spending for mineral properties was \$226,235. The \$226,235 in cash expenditures on exploration included \$154,262 on Maurice Point, \$27,500 on Haultain River, \$26,368 on Key Lake Road, \$10,362 on the Merritt Coal property and \$7,743 on new projects.

**FORUM DEVELOPMENT CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE SECOND QUARTER ENDED MAY 31, 2005**

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**SUMMARY OF QUARTERLY RESULTS**

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

	May 31, 2005	February 28, 2005	November 30, 2004	August 31, 2004	May 31, 2004	February 29, 2004	November 30, 2003	August 31, 2003
<b>Financial results</b>								
Net loss for period	347,375	104,951	133,268	55,143	47,057	27,541	29,007	12,366
Basic and diluted loss per share	0.02	0.01	0.01	0.01	0.01	0.01	-	0.01
Expenditures on resource properties	215,581	379,130	2,991	536	53	900	2,414	4,331
<b>Balance sheet data</b>								
Cash and short term deposits	605,831	871,891	344,419	17,357	77,843	121,605	151,200	3,700
Resource properties	689,862	474,281	95,151	91,895	94,299	98,746	97,846	98,300
Total assets	1,465,102	1,473,455	556,913	205,201	257,608	295,639	320,967	167,462
Shareholders' equity #	1,411,438	1,430,891	443,120	139,102	194,251	236,308	263,849	47,048

**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 to 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.

	May 31, 2005	November 30, 2004
Working capital	\$ 697,182	\$ 347,969
Deficit	(4,710,845)	(4,363,471)

**FORUM DEVELOPMENT CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE SECOND QUARTER ENDED MAY 31, 2005**

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**TRANSACTIONS WITH RELATED PARTIES**

During the quarter ended May 31, 2005, the Company paid in cash or accrued \$62,250 (2004 – \$15,400) to Directors and Officers or consulting companies controlled by Directors and Officers of the Company for professional, technical and managerial services.

As at May 31, 2005, the Company has \$12,256 included in accounts payable (November 30, 2004 – \$61,690) due to 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

**OFF-BALANCE SHEET ARRANGEMENTS**

The company has agreed to issue 632,000 flow-through shares in July 2005 for proceeds of \$158,000 which will be committed to exploration during 2005.

The company issued 2,931,667 flow-through shares in December 2004 for gross proceeds of \$446,000 which is committed to exploration during 2005.

**SHARE CAPITAL INFORMATION**

During the period commencing on May 31, 2005 and ending on the date of this report, effective July 28, 2005 the Company received approval from the TSX Venture Exchange to the completion of the first tranche of its \$1 million private placement previously announced July 5, 2005. The placement consists of 632,000 flow through common shares to be issued at a price of \$0.25 per share for gross proceeds of \$158,000 and 2,481,725 non flow through units to be issued at a price of \$0.20 per unit, each unit being comprised of one common share and one half of one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase on additional common share of the Company at a price of \$0.30 expiring July 28, 2005. Finder's fees are to be paid on a portion of the financing in the amount of \$11,760 and 56,560 warrants will be issued with the same terms as those issued to subscribers.

The table below presents the Company's common share data as of July 29, 2005. This table does not include any shares or warrants to be issued in connection with the private placement referred to above.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			20,056,094
Securities convertible into common shares			
Warrants	\$0.15	March 18, 2006	250,000
	\$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
	\$0.24	May 12, 2010	715,000
			29,443,427

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Private Placement

During the first quarter, the Company completed its private placement of 2,306,667 flow-through units at \$0.15 and 625,000 flow-through units at \$0.16 for net proceeds of \$432,000.

Stock Options

During the period, 715,000 stock options were granted to directors, officers and consultants that are exercisable for one common share each on or before May 12, 2010 at a price of \$0.24.

**INVESTMENT IN ENERGY PROPERTIES**

	November 30, 2004	Acquisition Cost	Deferred Exploration	Write-down/ depreciation	May 31, 2005
Merritt Coalbed Methane	\$ 87,651	\$ 253,000	\$ 10,362	\$ -	\$ 351,013
Lignite Syndicate	7,500	-	-	-	7,500
Key Lake Road	-	42,403	26,368	-	68,771
Maurice Point	-	55,966	154,262	-	210,228
Haultain River	-	27,500	-	-	27,500
Other	-	-	24,850	-	24,850
<b>Total mineral properties</b>	<b>\$ 95,151</b>	<b>\$ 378,869</b>	<b>\$ 215,842</b>	<b>\$ -</b>	<b>\$ 689,862</b>

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

PROJECT	INTEREST	COMMODITY	LOCATION	AREA (Hectares)
Merritt Coal bed Methane	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
Haultain River	100%	Uranium	Saskatchewan	14,898

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### **Merritt Coalbed Methane**

The Company is evaluating the Natural Gas in Coal (NGC) potential of the Merritt Coalfield, located 250 kilometres east of Vancouver, British Columbia, Canada. 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 has estimated potential resources of 52 billion cubic feet of natural gas 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 three prospective properties for uranium in the Athabasca Basin Uranium District of Northern Saskatchewan. Airborne geophysical programs and surface exploration have begun 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.

The purpose of the proposed initial exploration program is to determine the area where the best potential for an economic uranium deposit exists and to reduce the permit size to minimize the second year expenditure requirements to keep the properties in good standing.

During the period, Dr. Boen Tan, P.Geo. was appointed to the Company's technical advisory board. Dr. Tan is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan and for twenty-five years was a senior geologist and Project Manager for Uranerz Exploration & Mining Ltd. conducting uranium exploration in the Athabasca Basin including the Key Lake area. Richard Mazur, P.Geo. President & CEO of the Company is the Qualified Person responsible for the Company's uranium projects.

### **Maurice Point**

The Company has staked eight mineral claims and was granted one exploration permit, totalling 47,090 hectares, at the vicinity of Cameco Corporation's Maurice Bay deposit in northwestern Saskatchewan. The Maurice Bay deposit, discovered in 1977, hosts significant uranium mineralization in sandstone-hosted, unconformity-associated deposits (Main Zone and B Zone) and structurally controlled deposits in silicified basement rocks (A Zone). This latter style of mineralization contains higher grade pitchblende mineralization with grades intersected in drilling of up to 3% U<sub>3</sub>O<sub>8</sub> over 13 metres. Historical resource estimates quoted by the Saskatchewan Geological Survey of 1.3 million pounds grading 0.6% U<sub>3</sub>O<sub>8</sub> are reported at Maurice Bay. These historical estimates have not been confirmed to comply with NI43-101 standards, nor should they be relied upon, but are relevant as indications for the potential for economic grades and quantities of mineralization in the Maurice Point project area.

The Company has completed 1,293 line kilometres of geotem airborne magnetic and electromagnetic surveys over the project area where several electromagnetic anomalies of interest were identified. Compilation of past exploration data has been undertaken and geological mapping, anomaly follow-up and prospecting is planned this summer. Uranium mineralization has been encountered on Forum's property as mineralized boulders on surface and in a drillhole where pitchblende mineralization at the unconformity contact assayed 0.064% U<sub>3</sub>O<sub>8</sub> over 3 metres at a depth of 370 metres.

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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.

### **Key Lake Road**

The Company has acquired exploration permits totalling 83,290 hectares covering the Key Lake Road Project located 20 kilometres southwest of the Key Lake Mine Complex operated by Cameco Corporation in Northern Saskatchewan. The Key Lake uranium deposit, an unconformity-related deposit, was discovered in 1975 and produced 195 million pounds of uranium with an average grade of 2.5% U3O8 during a fifteen year mine life from 1983 to 1997.

The Key Lake Road project covers the favourable Mudjatik-Wollaston Tectonic Zone which currently hosts the majority of uranium deposits in the Athabasca Basin. The property has potential for structurally controlled uranium deposits similar to Cameco's Millennium, Eagle Point and the basement-hosted portion of the McArthur River deposit. The Company is compiling past exploration data and reviewing past geophysical surveys to determine the portions of the permits to explore with airborne magnetic and electromagnetic surveys. To the knowledge of the Company, this is the first time that all data from the permit area has been placed in one dataset. Numerous electromagnetic conductors and surface grab samples of uranium showing grading up to 2.7 % U3O8 were inadequately tested by shallow trenching and "packsack" drillholes. A program of geological mapping, anomaly follow-up and prospecting is underway this summer.

To maintain the current permit areas for the Key Lake Road project, the first year expenditure requirement is \$104,112 and second year requirement is \$333,160.

### **Haultain River**

Ongoing evaluation of assessment work from exploration in the 1970's and 1980's led to the staking of 14,898 hectares of claims extending southwest of the Key Lake Road permit. Numerous showings of uranium on surface, grading up to 7.65% U3O8 in grab samples were identified during data compilation.

This area will be prospected and mapped in conjunction with the Key Lake Road exploration program.

### **INVESTOR RELATIONS**

Effective April 1, 2005 the Company amended its contract with RWA Management Services Ltd. to expand the services being provided by RWA to include investor relations and to provide for the partial reimbursement of the substantial increase in RWA's costs arising as a consequence of providing additional accounting and regulatory services required to meet increased regulatory and financial reporting obligations. The investor relations services are being provided through Michelle Hohn and Doug Fosbrooke.

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## **FINANCIAL AND OTHER INSTRUMENTS**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of those instruments.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the Financial Statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

## **RISKS AND UNCERTAINTIES**

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.

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- b) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management was successful in accessing the equity markets during the period, but there is no assurance that such sources will be available on acceptable terms in the future.
- c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.
- e) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue its exploration and development activities in the future.
- f) There is no certainty that the properties which the Company has deferred as assets on its balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

#### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

#### **OTHER INFORMATION**

Additional information is available on the Company's website at [www.forumdevelopmentcorp.com](http://www.forumdevelopmentcorp.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

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**CAUTION REGARDING FORWARD LOOKING STATEMENTS**

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.