

TURNER VALLEY OIL & GAS INC  
Form 10QSB  
November 15, 2004

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

FORM 10-QSB

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

For the Second Quarter ended September 30, 2004

Commission File Number: 0-30891

Turner Valley Oil & Gas, Inc.  
(Exact name of Registrant as specified in its charter)

Nevada  
(Jurisdiction of Incorporation)                      91-1980526  
(I.R.S. Employer Identification No.)

6160 Genoa Bay Road, Duncan B.C. Canada                      V9L 5Y5  
(Address of principal executive offices)                      (Zip Code)

Registrant's telephone number, including area code:                      (250) 746-1551

Securities registered pursuant to Section 12(g) of the Act: Common Stock  
42,560,984 shares off common stock were outstanding as of September 30, 2004.

49,634,554 shares off common stock were outstanding as of July 31, 2004.

Transitional Small Business Disclosure Format (check one): yes [ ] no

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This Form 10-QSB contains forward-looking statements. Such statements include statements concerning plans, objectives, goals, strategies, future events, results or performances, and underlying assumptions that are not statements of historical fact. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements which reflect our current views, with respect to future events

or results and future financial performance. Certain words indicate forward-looking statements, words like "believe", "expect", "anticipate", "intends", "estimates", "forecast", "projects", and similar expressions.

## PART I: FINANCIAL INFORMATION

### Item 1. Financial Statements.

The financial statements, for the three months and nine months ended September 30, 2004, included herein have been prepared by the us, without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnotes disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information not misleading.

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**Turner Valley Oil & Gas Incorporated**  
(A Development Stage Company)  
Unaudited Financial Statements  
September 30, 2004

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**Turner Valley Oil & Gas Incorporated**  
Consolidated Balance Sheets

#### ASSETS

Current Assets

September 30, 2004 (Unaudited)	December 31, 2003
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	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003	September 30, 2004
REVENUE	\$ -	\$ -	\$ -	\$ -	\$ 1,000
Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ 1,000
EXPENSES					
Consulting Fees	105,004	-	287,604	-	287,604
Professional Fees	122,277	-	158,754	-	158,754
General & Administrative	2,874	796,122	11,354	1,121,977	2,576,385
Total Expenses	230,155	796,122	457,712	1,121,977	3,022,743
NET OPERATING LOSS	(230,155)	(796,122)	(457,712)	(1,121,977)	(3,021,743)
OTHER INCOME (EXPENSES)					
Royalty Income	2,977	-	8,195	-	8,195
Abandonment of Oil & Gas Property	-	-	(71,072)	-	(71,072)
Interest Expense	(374)	-	(748)	-	(4,042)
Total Other Income (Expenses)	2,603	-	(63,625)	-	(66,919)
NET LOSS	\$ (227,552)	\$ (796,122)	\$ (521,337)	\$ (1,121,977)	\$ (3,088,662)
BASIC LOSS PER COMMON SHARE	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.07)	\$ (0.29)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING					
	44,534,181	38,611,855	43,790,364	15,416,821	10,594,885
COMPREHENSIVE INCOME					
Net Loss	\$ (227,552)	\$ (796,122)	\$ (521,337)	\$ (1,121,977)	\$ (3,088,662)
Other Comprehensive Income: Foreign Currency Translation	(7,829)	-	(10,308)	-	(10,308)
Comprehensive Income (Loss)	\$ (235,381)	\$ (796,122)	\$ (531,645)	\$ (1,121,977)	\$ (3,098,970)

The accompanying notes are an integral part of these financial statements.

**Turner Valley Oil & Gas Incorporated**  
Consolidated Statements of Cash Flows

	For the nine months ended		From Inception on April 21, 1999 through September 30, 2004
	2004	September 30, 2003	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net Income (Loss)	\$ (521,337)	\$ (1,121,977)	\$ (3,088,662)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operations:			
Loss on Abandonment of Property	71,072	-	71,072
Common Stock Issued for Services Rendered	403,650	851,652	2,490,861
Forgiveness of related party interest	-	(33,824)	-
Common Stock Issued for Retirement of Accounts Payable	-	226,599	326,599
Non-cash effect from foreign currency translation	(8,590)	-	(10,308)
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	(1,620)	(227)	(1,620)
Increase (Decrease) in Accounts Payable	30,716	52,930	31,015
Increase (Decrease) in Interest Payable	748	-	748
Net Cash Provided(Used) by Operating Activities	(25,361)	(24,847)	(180,295)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Expenditures for Oil & Gas Property Development	(8,214)	(88,080)	(308,886)
Net Cash Provided (Used) by Investing Activities	(8,214)	(88,080)	(308,886)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from Issuance of Common Stock	-	150,000	465,000
Cash received from Notes Payable-Related Party	35,000	-	35,000
Net Cash Provided(Used) by Financing Activities	35,000	150,000	500,000
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>1,425</b>	<b>37,073</b>	<b>10,819</b>
	9,394	-	-

CASH AND EQUIVALENTS AT BEGINNING OF PERIOD

CASH AND CASH EQUIVALENTS AT END OF PERIOD

	\$	10,819	\$	37,073	\$	10,819
Cash Paid For:						
Interest	\$	-	\$	-	\$	3,294
Income Taxes	\$	-	\$	-	\$	-
Common Stock Issued for Services Rendered	\$	403,650	\$	851,652	\$	2,273,711
Common Stock Issued to Retire Accounts Payable	\$	-	\$	226,599	\$	326,599

The accompanying notes are an integral part of these financial statements.

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**Turner Valley Oil & Gas Incorporated**  
 (A Development Stage Company)  
 Notes to the Consolidated Financial Statements  
 September 30, 2004

GENERAL

Turner Valley Oil & Gas Incorporated, (the Company) has elected to omit substantially all footnotes to the financial statements for the nine months ended September 30, 2004 since there have been no material changes (other than indicated in other footnotes) to the information previously reported by the Company in their Annual Report Form 10-KSB filed for the fiscal year ended December 31, 2003.

UNAUDITED INFORMATION

The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments which are, in the opinion of management, necessary to properly reflect the results of the interim period presented. The information presented is not necessarily indicative of the results from operations expected for the full fiscal year.

OIL & GAS PROPERTIES

During the period ended March 31, 2004, the Company wrote-off a total of \$71,072 for their respective investments in the Burlington Karr and Turner Valley properties. The Company's management concluded that it would not be economic for the Company to continue its investment in these properties.

STOCKHOLDERS EQUITY

During the period ended June 30, 2004, the Company issued 932,500 shares of common stock to consultants and directors of the Company for services rendered. The shares were issued at \$.20 per share. Accordingly, common stock and additional paid-in-capital were charged \$932 and \$185,568, respectively.

During the period ended September 30, 2004, the Company issued 2,597,500 S-8 shares of common stock for services rendered. The shares were issued at \$.08 per share. The Company also issued 85,000 S-8 shares of common stock for consulting services. These shares were issued at \$.11 per share.

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## **ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **A PLAN OF OPERATION**

As previously reported, the Company (through its wholly owned subsidiary, TV Oil and Gas Canada Limited (a Federal Canadian Corporation) holds a substantial share position in WIN Energy Inc. of Calgary, Alberta Canada. It is the intention of TVOG (Turner Valley Oil and Gas Inc. and its wholly owned subsidiary) to focus all of its efforts on supporting the extensive drilling program that is currently underway in WIN Energy Corporation until such time as WIN Energy commences trading on the Toronto Stock Exchange at which time, TVOG will move to monetize a portion of its stock holdings in WIN Energy in order to participate in on-going drilling opportunities as they present.

Our financial statements contain the following additional material notes:

(Note 2-Going Concern) The Company's financial statements have been prepared assuming that the Company will continue as a going concern. The Company is dependent upon raising capital to execute its business plan. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to raise capital in order to execute their business plan, thus creating necessary operating revenues.

(Note 3-Development Stage Company) The Company is a development stage company as defined in Financial Accounting Standards Board Statement 7. It is concentrating substantially all of its efforts in raising capital and developing its business operations in order to generate operating revenues.

### **B. DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

During the quarter ended September 30, 2004 the Company had royalty revenues of \$2,977, which were received from its working interest in the Strachan property. The Company has not added any further working interests in oil and gas producing properties during the quarter ended September 30, 2004. All the Company's properties are geologically and physically independent of one another. They are all located in the Western Canadian Geologic Basin centred in Alberta, Canada.

### **THE BUSINESS of WIN ENERGY CORPORATION**

WIN Energy Inc. has now commenced its drilling program as set out below under (Summary Of Lands - WIN Energy). This report has been compiled as of November 12, 2004 and sets out the significant increases in land base that have been accomplished by WIN during TVOG's reporting period, which is this 3<sup>rd</sup> Quarter of 2004 and additionally as a subsequent series of events during the months of October and early November, 2004.

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We would direct the attention of TVOG Shareholders to this substantial amount of activity within WIN Energy on behalf of its shareholders. TVOG is a substantial shareholder of WIN Energy and TVOG's CEO and Chairman is also Director and Chairman of WIN Energy Corporation.

The Board of Directors and Senior Management of TVOG and its wholly owned Federally Incorporated Canadian Corporation, TV Oil and Gas Canada Limited, are proud to report the advances made on behalf of the Corporation by WIN Energy over the 3<sup>rd</sup> Q and into the 4<sup>th</sup> Q of TVOG's reporting period. Win's activities are hereby reported as follows:

**Summary of Lands - WIN Energy**

**Strachan 2-22-38-9W5 Gas Well**

A nitrogen/acid tugging cleanout operation was conducted on the week of November 1, 2004. The well was placed back on stream on Saturday November 6<sup>th</sup> is responding extremely well with a SI pressure of 8000 kPa and flow rates higher than we previously reported of 2.66 mmcf / day. The full operation cost was \$235,000 for 100%.

**Strachan lands.**

Win Energy owns 0.85 net sections (544 acres) in each of sections 9, 10, 15, 16, 19, 20, 21, 22, 27, 28, 29, 30 and 33 in 22-38-9W5 (7,616 acres).

Win Energy Corporation has identified two Devonian Reef targets in this township. At this time no drilling program is established for these lands.

**Turner Valley 6-31-20-3W5 cased well - currently drilling**

Potential Cadomin gas well. Win Energy has 61% working interest in the lands and well in section 31. Win has farmed out the majority of this interest to earn 35.5%. An operation is underway to drill out of the current 5.5" casing into an horizontal leg that will enter the Cadomin formation. At the time of this filing a window was successfully cut through the casing and there were signs of a strong cement bond. We are currently drilling forward to the formation as of November 12, 2004.

**Triangle Zone**

**North Cowley Prospect**

On August 17<sup>th</sup>, 2004 Win Energy Corporation signed an agreement with PetroCanada and Husky Oil Operations Limited. This Agreement grants Win Energy Corporation and PetroCanada a Farm-In on 5.5 sections (3520 acres) of Husky land and a further option on 7.5 sections (4,800 acres) of Husky land. Husky the Farmor will receive a 12.5%

Overriding Royalty on Petroleum Substances. This Agreement is shared 50% Win Energy Corporation 50% PetroCanada.

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Since June 2004 Win Energy has purchased 1 Seismic Line over North Cowley.

PetroCanada and Win Energy have identified on Seismic the initial North Cowley drill location in 8-29-8-1W5. Win Energy Corporation has identified a second drill location at 10-30-8-2W5. Currently Win Energy Corporation has received a drilling license from the EUB for the 10-30-8-2W5. Win has agreed to wait on drilling the 10-30 location until PetroCanada has drilled the first joint exploration well at 8-29. PetroCanada is currently applying for a drilling license at 8-29-8-2W5.

**South Cowley**

On the South Cowley Prospect Win Energy Corporation has recently purchased 1 new seismic line.

Recently the logs and drilling report for PetroCanada's well 6-20-7-1W5 became public information. Win's preliminary economics runs on the 6-20 well show an estimated potential of P.V. @ 10% = \$22 million for this one well.

On September 15, 2004 Win Energy Corporation purchased the NE ¼ of section 8-8-1W5 for \$46,400. This quarter section completed a drillable section of land for Win Energy Corporation. Win's seismic and geological mapping, proves a drilling location in 14-8-8-1W5. This drill location is on a seismic structure that is analogous to the seismic structure interpreted in 6-20-7-1W5 and 8-29-8-1W5. At this time Win Energy is in the process of applying for a drilling license at 14-8-8-1W5.

PetroCanada recently licensed a new drill location at 4-8-8-1W5 (with tight hole status).

**Todd Creek - Drilling completed on First Well - Currently Being Tested - as at November 12/04**

Win Energy Corporation has purchased 2 Seismic lines on the Todd Creek Prospect.

September 1, 2004 Win Energy Corporation bid successfully at a crown land sale and purchased 6.5 sections (4,160 acres) of land on the Todd Creek Prospect for \$558,122. In October Win Energy Corp. commenced its drilling program and drilled a well at 7-16-8-2W5 (this well currently is under tight hole status) into a second crown posting. On October 27<sup>th</sup>, 2004 Win Energy Corporation was the successful bidder at the second crown posting purchasing an additional 7.25 sections (4,640 acres) of land on the Todd Structure for \$1,129,747 (October 27, 2004).

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## **Hillsprings**

On November 4<sup>th</sup>, 2004 Win Energy Corporation acquired section 26-5-29W4 for \$64,000. This section is due south of Talisman's 6-35 location and S.E. of Win/TLM's 10-34-5-29W4 location. McDaniel & Associates Ltd evaluated Win's interest in 34-5-29W4 as unproven acreage worth \$2.5MM.

## **ExonMobil Lands - Triangle Area**

Win Energy Corporation was the successful bidder (competitive bidding environment) for MobilExon's lands and is in the process of finalizing a Farm-Out Agreement with Exxon-Mobil. Win Energy has entered into formal letter of intent which commits Win Energy to enter in a Farm-Out agreement. The Farm-Out commits Win Energy to drill 5 test wells in 2005 (estimates of costs are in excess of \$10,000,000 for these 5 wells) with an option to drill 5 test wells in each of 2006 and 2007. ExonMobil's lands comprises approximately 53 sections (approximately 34,000 acres) of lands on the Cowley prospect. ExonMobil will receive an Overriding Royalty with an opportunity to back in for a joint venture working interest.

These leases occur within the boundaries that Win Energy has mapped for the Cowley structure and lie in between all of the key leases mentioned in the N. Cowley and S. Cowley description. These lands include a half section in 17-7-1W5 that when added to Win's quarter in the same section gives Win Energy  $\frac{3}{4}$  of a section directly South of P.C. 6-20-7-1W5.

This Agreement with ExonMobil in addition to WIN's existing land position now gives Win Energy Corporation a very noticeable control position over the Cowley Triangle Prospect.

General and administrative costs for the quarter ended September 30, 2004 decreased by \$793,248 to \$2,874 when compared to \$796,122, for the same period last year. However, both Consulting and Professional fees increased by \$105,004 and \$122,277 respectively. The increase was caused by the recognition of stock compensation expense caused by the issuance of S-8 stock to directors and consultants. Consulting costs included amounts paid to geological engineers while Professional fees included amounts paid for legal and accounting services. Total expenses for the nine months ended September 30, 2004 decreased by 71% to \$230,155 as compared to \$796,122 for the same period last year.

Net loss for the quarter ended September 30, 2004 decreased by \$568,570 to \$227,552 when compared to the same period last year. Net Loss for the nine months ended September 30, 2004 decreased by 54% to \$521,337 compared to a net loss of \$1,121,977 for the nine months ended September 30, 2003.

## **Liquidity**

The Company's net working capital for the quarter ended September 30, 2004 was a negative \$(54,324), compared to \$9,095 for the year ended December 31, 2003. The decrease in working capital was due to costs associated with abandonment of oil and gas properties and costs relating to the operations of the Company.

To date, we have not invested in derivative securities or any other financial instruments that involve a high level of complexity or risk. We expect that in the future, any excess cash will continue to be invested in high credit quality, interest-bearing securities.

We believe cash from operating activities, and our existing cash resources may not be sufficient to meet our working capital requirements for the next 12 months. We will likely require additional funds to support the Company's business plan. Management intends to raise additional working capital through debt and equity financing. There can be no assurance that additional financing will be available on acceptable terms, if at all. If adequate funds are not available, we may be unable to take advantage of future opportunities, respond to competitive pressures, and may have to curtail operations.

There are no legal or practical restrictions on the ability to transfer funds between parent and subsidiary companies.

There are no known trends or uncertainties excepting those herein disclosed, that will have a material impact on revenues.

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## **Item 2. Discussion and Analysis or Plan of Operation.**

### **A PLAN OF OPERATION**

As previously reported, the Company (through its wholly owned subsidiary, TV Oil and Gas Canada Limited (a Federal Canadian Corporation) holds a substantial share position in WIN Energy Inc. of Calgary, Alberta Canada. It is the intention of TVOG (Turner Valley Oil and Gas Inc. and its wholly owned subsidiary) to focus all of its efforts on supporting the extensive drilling program that is currently underway in WIN Energy Corporation until such time as WIN Energy commences trading on the Toronto Stock Exchange at which time, TVOG will move to monetize a portion of its stock holdings in WIN Energy in order to participate in on-going drilling opportunities as they present.

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## LIQUIDITY

The Company's net working capital for the quarter ended September 30, 2004 was a negative \$(54,324), compared to \$9,095 for the year ended December 31, 2003. The decrease in working capital was due to costs associated with abandonment of oil and gas properties and costs relating to the operations of the Company.

To date, we have not invested in derivative securities or any other financial instruments that involve a high level of complexity or risk. We expect that in the future, any excess cash will continue to be invested in high credit quality, interest-bearing securities.

We believe cash from operating activities, and our existing cash resources may not be sufficient to meet our working capital requirements for the next 12 months. We will likely require additional funds to support the Company's business plan. Management intends to raise additional working capital through debt and equity financing. There can be no assurance that additional financing will be available on acceptable terms, if at all. If adequate funds are not available, we may be unable to take advantage of future opportunities, respond to competitive pressures, and may have to curtail operations.

There are no legal or practical restrictions on the ability to transfer funds between parent and subsidiary companies.

There are no known trends or uncertainties excepting those herein disclosed, that will have a material impact on revenues.

## PART II: OTHER INFORMATION

**Item 1. Legal Proceedings.** None.

**Item 2. Changes in Securities.** None.

**Item 3. Defaults on Senior Securities.** None

**Item 4. Submission of Matters to Vote of Security Holders.** None.

**Item 5. Other Information.** None.

**Item 6. Exhibits and Reports on Form 8-K.**

Exhibit 31. Section 302 Certification

Exhibit 32. Certification Pursuant TO 18 USC Section 1350

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-Q Report for the Quarter ended September 30, 2004, has been signed below by the following persons on behalf of the Registrant and in the capacity and on the date indicated.

*Turner Valley Oil and Gas, Inc.*

Dated: November 15, 2004

by

/s/Christopher Paton-Gay  
Christopher Paton-Gay  
president director

/s/Donald Jackson Wells  
Donald Jackson Wells  
director

/s/Joseph Kane  
Joseph Kane  
director

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**Exhibit 31**

**Section 302 Certification**

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**CERTIFICATIONS PURSUANT TO SECTION 302**

I, Christopher Paton-Gay, president/director, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of September 30, 2004;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 15, 2004

/s/ Christopher Paton-Gay  
Christopher Paton-Gay

president director

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**Exhibit 32**

**CERTIFICATION PURSUANT TO 18 USC SECTION 1350**

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**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of *Netparts.com, Inc.*, now renamed *Turner Valley Oil & Gas, Inc.*, a Nevada corporation (the "Company"), on Form 10-QSB for the quarter ended September 30, 2004 as filed with the Securities and Exchange Commission (the "Report"), I, Christopher Paton-Gay, president/director of the Company, certify, pursuant to 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 15, 2004

/s/ Christopher Paton-Gay

Christopher Paton-Gay  
president director

