

EAST WEST RESOURCE CORPORATION

FINANCIAL STATEMENTS

APRIL 30, 2003

and

APRIL 30, 2002

D E V I S S E R G R A Y

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of East West Resource Corporation,

We have audited the balance sheets and schedule of mineral property costs of East West Resource Corporation as at April 30, 2003 and 2002 and the statements of operations and deficit and cash flows for 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 the 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 April 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with the Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the previous year.

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
September 5, 2003

EAST WEST RESOURCE CORPORATION

Balance Sheets

As at April 30,

	2003	2002
	\$	\$
ASSETS		
Current		
Cash (note 11)	8,760	260,035
Amounts receivable	38,171	23,956
	<u>46,931</u>	<u>283,991</u>
Capital assets (note 5)	3,832	4,232
Mineral properties (Schedule) (note 4)	1,833,686	1,839,386
	<u>1,884,449</u>	<u>2,127,609</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	141,806	196,522
Due to related parties (note 3)	26,125	94,615
	<u>167,931</u>	<u>291,137</u>
SHAREHOLDERS' EQUITY		
Share capital (note 7a)	10,320,198	9,302,773
Contributed surplus (note 7b)	72,201	-
Obligation to issue shares (note 8)	-	285,000
Deficit	(8,675,881)	(7,751,301)
	<u>1,716,518</u>	<u>1,836,472</u>
	<u>1,884,449</u>	<u>2,127,609</u>
Continuing operations (note 1)		
Approved by the Board of Directors:		
"James Tutton"		"Blake Colvin"
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James Tutton		Blake Colvin

EAST WEST RESOURCE CORPORATION

Statements of Operations and Deficit

For the Years Ended April 30,

	2003	2002
	\$	\$
Expenses		
Advertising	9,967	6,135
Amortization	1,728	2,782
Consulting	58,420	20,259
Bank charges and interest	3,375	7,484
Forgiveness of debt	(3,967)	-
Interest	(2,368)	(1,474)
Investor and shareholder communications	22,343	3,966
Legal, accounting and audit	72,153	91,650
Management fees	30,000	30,000
Office, postage and printing	7,370	21,037
Property investigation	911	8,502
Rent and utilities	1,034	12,600
Stock-based compensation (note 7b)	72,201	-
Telephone	9,187	6,536
Travel and field supervision	21,064	10,874
Truck	19,462	25,227
Trust and regulatory	37,711	29,630
Write-off of mineral property costs	563,989	73,077
	<hr/>	<hr/>
Net loss for the year	(924,580)	(348,285)
Deficit - beginning of year	<u>(7,751,301)</u>	<u>(7,403,016)</u>
Deficit - end of year	<u><u>(8,675,881)</u></u>	<u><u>(7,751,301)</u></u>
Loss per share (note 10)	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>43,741,710</u>	<u>38,189,102</u>

See accompanying notes to financial statements

EAST WEST RESOURCE CORPORATION

Statements of Cash Flows
For the Years Ended April 30,

	2003	2002
	\$	\$
Cash Provided by (Used for):		
Operating Activities		
Net loss for the year	(924,580)	(348,285)
Adjustments for items which do not affect cash:		
Amortization	1,728	2,782
Forgiveness of debt	(3,967)	-
Stock-based compensation expense	72,201	-
Write-off of mineral property costs	563,989	73,077
	(290,629)	(272,426)
Net changes in non-cash working capital items:		
Prepaid expenses	-	4,507
Amounts receivable	(14,215)	45,530
Accounts payable and accrued liabilities	(50,749)	94,776
Due to/from related parties	(68,490)	10,081
	(424,083)	(117,532)
Investing Activities*		
Capital assets purchased	(1,328)	-
Mineral property expenditures	(578,884)	(404,056)
Option proceeds from mineral property interests	118,595	61,950
	(461,617)	(342,106)
Financing Activities*		
Cash received for common shares to be issued	-	285,000
Cash received for common shares issued	669,425	220,000
Share issued costs	(35,000)	-
	634,425	505,000
Net cash (used) provided during the year	(251,275)	45,362
Cash - beginning of year	260,035	214,673
Cash - end of year	8,760	260,035

***Supplementary disclosure of non-cash investing and financing activities:**

- During the 2003 year, 750,000 common shares were issued at an aggregate value of \$98,000 for the acquisition of mineral property interests. The Company also recorded an aggregate of 72,201 in stock-based compensation.
- During the 2002 year, the Company issued 245,000 common shares at an aggregate value of \$41,550 pursuant to mineral property acquisition agreements, and 1,466,667 common shares resulting from the conversion of Special Warrants, previously issued for \$800,000 during the 1999 fiscal year.

See accompanying notes to financial statements

EAST WEST RESOURCE CORPORATION
Schedule of Mineral Property Costs

	April 30, 2001 \$	Net Expenditures/ recoveries \$	Write-offs \$	April 30, 2002 \$	Net Expenditures/ recoveries \$	Write-offs \$	April 30, 2003 \$
ONTARIO							
Norton Lake							
Acquisition	-	49,822	-	49,822	15,518	-	65,340
Assay	-	4,192	-	4,192	17,352	-	21,544
Camp accommodations and	-	811	-	811	103,609	-	104,420
Drilling	-	-	-	-	131,531	-	131,531
Geological and geophysical	-	5,203	-	5,203	104,222	-	109,425
Field office expense	-	252	-	252	13,610	-	13,862
	<u>-</u>	<u>60,280</u>	<u>-</u>	<u>60,280</u>	<u>385,842</u>	<u>-</u>	<u>446,122</u>
Seagull and Disraeli							
Acquisition	51,749	4,751	-	56,500	11,903	-	68,403
Assay	15,224	7,278	-	22,502	1,199	-	23,701
Camp accommodations and travel	13,468	2,080	-	15,548	1,927	-	17,475
Drilling	259,925	46,945	-	306,870	-	-	306,870
Geological and geophysical	98,312	19,958	-	118,270	29,067	-	147,337
Field office expense	10,390	3,156	-	13,546	250	-	13,796
	<u>449,068</u>	<u>84,168</u>	<u>-</u>	<u>533,236</u>	<u>44,346</u>	<u>-</u>	<u>577,582</u>
Nighthawk Joint Venture							
Acquisition	144,930	834	(60,800)	84,964	719	-	85,683
Assay	7,253	2	-	7,255	-	-	7,255
Camp accommodations and	7,117	35	-	7,152	20	-	7,172
Drilling	27,117	-	-	27,117	-	-	27,117
Geological and geophysical	86,486	712	(273)	86,925	-	-	86,925
Field office expense	22,565	(312)	-	22,253	248	-	22,501
	<u>295,468</u>	<u>1,271</u>	<u>(61,073)</u>	<u>235,666</u>	<u>987</u>	<u>-</u>	<u>236,653</u>
Havoc							
Acquisition	47,191	(18,800)	-	28,391	17,253	-	45,644
Assay	42,035	16,657	-	58,692	(37,948)	-	20,744
Camp accommodations and	1,845	5,161	-	7,006	(3,273)	-	3,733
Drilling	-	23,896	-	23,896	(5,057)	-	18,839
Geological and geophysical	66,859	14,726	-	81,585	(51,129)	-	30,456
Field office expense	3,227	6,051	-	9,278	(5,994)	-	3,284
	<u>161,157</u>	<u>47,691</u>	<u>-</u>	<u>208,848</u>	<u>(86,148)</u>	<u>-</u>	<u>122,700</u>
Linsey Bay							
Acquisition	-	-	-	-	59,429	-	59,429
Camp accommodations and	-	-	-	-	9,849	-	9,849
Geological and geophysical	-	-	-	-	40,850	-	40,850
Field office expense	-	-	-	-	1,913	-	1,913
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,041</u>	<u>-</u>	<u>112,041</u>
Posh							
Acquisition	3,078	-	-	3,078	-	-	3,078
Assay	1,574	-	-	1,574	-	-	1,574
Camp accommodations and	176	-	-	176	-	-	176
Geological and geophysical	6,209	-	-	6,209	-	-	6,209
Field office expense	350	86	-	436	-	-	436
	<u>11,387</u>	<u>86</u>	<u>-</u>	<u>11,473</u>	<u>-</u>	<u>-</u>	<u>11,473</u>

See accompanying notes to financial statements

EAST WEST RESOURCE CORPORATION
Schedule of Mineral Property Costs *(continued)*

	April 30, 2001 \$	Net Expenditures/ recoveries \$	Write-offs \$	April 30, 2002 \$	Net Expenditures/ recoveries \$	Write-offs \$	April 30, 2003 \$
Red Granite							
Acquisition	-	-	-	-	33,662	-	33,662
Geological and geophysical	-	-	-	-	24,893	-	24,893
	-	-	-	-	58,555	-	58,555
Barbara Lake							
Acquisition	-	-	-	-	14,088	-	14,088
Camp accommodations and	-	-	-	-	117	-	117
Geological and geophysical	-	-	-	-	5,008	-	5,008
Field office expense	-	-	-	-	94	-	94
	-	-	-	-	19,307	-	19,307
Steele and Bonis-Scapa							
Acquisition	7,842	5,048	-	12,890	-	-	12,890
Camp accommodations and	8,551	-	-	8,551	-	-	8,551
Geological and geophysical	120,264	-	-	120,264	-	-	120,264
Field office expense	151	64	-	215	-	-	215
	136,808	5,112	-	141,920	-	-	141,920
Little Sturge							
Acquisition	27,746	20,400	-	48,146	7,732	(55,878)	-
Assay	-	-	-	-	1,199	(1,199)	-
Camp accommodation and travel	-	59	-	59	897	(956)	-
Geological and geophysical	301	(2,046)	-	(1,745)	25,906	(24,161)	-
Field office expense	-	153	-	153	147	(300)	-
	28,047	18,566	-	46,613	35,881	(82,494)	-
Hele							
Acquisition	26,403	(7,500)	-	18,903	600	(19,503)	-
Assay	1,273	48	-	1,321	-	(1,321)	-
Camp accommodations and	137	426	-	563	564	(1,127)	-
Drilling	14,767	-	-	14,767	-	(14,767)	-
Geological and geophysical	5,722	15,728	-	21,450	(1,833)	(19,617)	-
Field office expense	75	95	-	170	136	(306)	-
	48,377	8,797	-	57,174	(533)	(56,641)	-
Hepburn							
Acquisition	41,420	-	-	41,420	(50,000)	8,580	-
Camp accommodations and	-	-	-	-	2,556	(2,556)	-
Drilling	-	-	-	-	43,026	(43,026)	-
Geological and geophysical	179,687	-	-	179,687	8,275	(187,962)	-
Field office expense	45	-	-	45	-	(45)	-
	221,152	-	-	221,152	3,857	(225,009)	-
Rift							
Acquisition	-	16,930	-	16,930	(12,698)	(4,232)	-
Assay	-	4,796	-	4,796	(3,597)	(1,199)	-
Camp accommodations and	-	3,587	-	3,587	(2,690)	(897)	-
Geological and geophysical	364	100,772	-	101,136	(77,455)	(23,681)	-
Field office expense	-	865	-	865	(647)	(218)	-
	364	126,950	-	127,314	(97,087)	(30,227)	-

See accompanying notes to financial statements

EAST WEST RESOURCE CORPORATION
Schedule of Mineral Property Costs *(continued)*

	April 30, 2001 \$	Net Expenditures/ recoveries \$	Write-offs \$	April 30, 2002 \$	Net Expenditures/ recoveries \$	Write-offs \$	April 30, 2003 \$
Mikinak							
Acquisition	13,890	3,450	-	17,340	-	(17,340)	-
Camp accommodations and	1,045	-	-	1,045	32	(1,077)	-
Geological and geophysical	-	21,962	-	21,962	-	(21,962)	-
Field office expense	-	78	-	78	-	(78)	-
	<u>14,935</u>	<u>25,490</u>	<u>-</u>	<u>40,425</u>	<u>32</u>	<u>(40,457)</u>	<u>-</u>
Reaume							
Acquisition	8,815	(10,000)	-	(1,185)	-	1,185	-
Assay	16,314	-	-	16,314	-	(16,314)	-
Geological and geophysical	14,161	-	-	14,161	-	(14,161)	-
	<u>39,290</u>	<u>(10,000)</u>	<u>-</u>	<u>29,290</u>	<u>-</u>	<u>(29,290)</u>	<u>-</u>
McCoig							
Acquisition	21,031	-	-	21,031	-	(21,031)	-
Camp accommodations and	176	-	-	176	-	(176)	-
Field office expense	13	-	-	13	-	(13)	-
	<u>21,220</u>	<u>-</u>	<u>-</u>	<u>21,220</u>	<u>-</u>	<u>(21,220)</u>	<u>-</u>
Williamson & Rogers							
Acquisition	19,760	(200)	-	19,560	-	(19,560)	-
Assay	54	-	-	54	-	(54)	-
Camp accommodations and	293	-	-	293	-	(293)	-
	<u>20,107</u>	<u>(200)</u>	<u>-</u>	<u>19,907</u>	<u>-</u>	<u>(19,907)</u>	<u>-</u>
OTHER							
Acquisition	66,246	11,938	(11,950)	66,234	14,239	(28,958)	51,515
Assay	1,018	92	(54)	1,056	2,945	(1,198)	2,803
Camp accommodations and	3,884	1,335	-	5,219	7,504	(1,674)	11,049
Geological and geophysical	8,183	1,080	-	9,263	54,225	(25,960)	37,528
Office administration	2,096	1,000	-	3,096	2,296	(954)	4,438
	<u>81,427</u>	<u>15,445</u>	<u>(12,004)</u>	<u>84,868</u>	<u>81,209</u>	<u>(58,744)</u>	<u>107,333</u>
Total Mineral Property Costs	<u>1,528,807</u>	<u>383,656</u>	<u>(73,077)</u>	<u>1,839,386</u>	<u>558,289</u>	<u>(563,989)</u>	<u>1,833,686</u>

See accompanying notes to financial statements

EAST WEST RESOURCE CORPORATION

Notes to Financial Statements

April 30, 2003 and 2002

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated in the Province of British Columbia and its principal activity is the acquisition and exploration of resource properties. The Company is currently in the exploration stage of developing its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and has a net working capital deficiency of \$121,000 as at April 30, 2003 (2002-\$7,146). The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise additional financing.

There can be no assurance that the company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. Actual results could differ from those estimates.

Financial Instruments

The Company's financial instruments consist of current assets and current liabilities. The fair values of the current assets and current liabilities approximate their carrying amounts due to the short-term nature of these instruments.

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares or the date of share issuance, whichever is lower.

The proceeds from shares issued pursuant to flow-through share financing agreements are credited to share capital and the tax benefits related to the exploration expenditures incurred pursuant to these agreements are transferred to the purchaser of the flow-through shares. When the proceeds of flow-through financings are received, the Company becomes committed to incurring the underlying exploration expenditures on a "best efforts" basis; however, the Company does not recognize such future expenditures as liabilities for purposes of its financial reporting.

Costs incurred to issue shares are deferred until the shares are issued, at which time these costs are charged to share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock-based Compensation

Effective May 1, 2002, the Company adopted the new Recommendations of the Canadian Institute of Chartered Accountants relating to the accounting for stock-based compensation and other stock-based payments. Under the new standard, payments to non-employees and to employees that are direct awards of stock, that call for settlement in cash or other assets, or that are stock appreciation rights which call for settlement by the issuance of equity instruments, are accounted for using the fair value method and are included in operations, with an offset to contributed surplus. No compensation expense is recorded for all other non-cash stock-based employee compensation awards; however, pro-forma disclosure of net income and earning per share, had the Company used the fair value method, is presented.

Prior to the adoption of the new standard, no compensation expense was calculated, recorded or otherwise disclosed when the Company granted stock-based incentives to individuals. A transaction was recorded only when the consideration paid by those exercising stock options was credited to shareholders' equity and the shares subject to option were issued.

The new Recommendations are applied prospectively and therefore the adoption of this new standard has resulted in no changes to amounts previously reported. In connection with the recorded and disclosed amounts calculated utilizing the fair value method, the Company recognizes the expense as the options vest with the recipients.

Mineral Properties

The acquisition costs of resource properties and their related direct exploration costs are deferred until the properties are placed into production, sold or abandoned. These costs will be amortized over the estimated useful life of the properties following the commencement of production, or written off if the properties are sold, abandoned, or if related claims are allowed to lapse.

Cost includes the cash consideration and the fair market value of shares issued on the acquisition of mineral property interests. Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The proceeds from options granted are included in the cost of the related property and any excess is applied to income.

Costs of acquiring mineral property interests and all related deferred exploration costs represent actual historical outlays incurred and are not intended to reflect present or future values. The ultimate recovery of such capitalized costs is dependent upon the discovery and development of economic ore reserves or the sale of mineral rights.

Capital Assets

Capital assets consist of computer equipment and are recorded at cost and are amortized over their estimated useful economic lives on the declining-balance basis at the rate of 30% per annum.

Income Taxes

The Company accounts for and measures future tax assets and liabilities in accordance with the liability method under which future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. The Company has taken a valuation allowance for the full amount of all potential tax assets.

3. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The year end balances referred to above are non-interest bearing, unsecured, receivable or payable on demand, and have arisen from the provision of services and expense reimbursements or advances described.

At April 30, 2003, the Company owes a law firm of which its former (subsequent to year end - refer to note 12) President is a partner \$9,146 (2002 - \$48,010) for legal services.

The Company's exploration manager was paid management fees aggregating \$30,000 during 2003 (2002 - \$30,000) and at year end is owed an aggregate of \$16,979 (2002 - \$46,605) for the unpaid portion of these fees and certain reimbursable expenses incurred on behalf of the Company.

4. MINERAL PROPERTIES ONTARIO PROPERTIES

a) Norton Lake

The Company has earned a 100% interest 164 claim units in the Norton Lake area, Thunder Bay Mining Division, subject to a 2% NSR royalty. In order to earn its interest the Company paid \$5,000 and issued 100,000 common shares. The Company may purchase 1% of the NSR royalty for \$1,000,000 and has a right of first refusal on the remaining 1% NSR royalty.

b) Seagull and Disraeli

The Company and Canadian Golden Dragon Resources Ltd. ("Dragon") (collectively, "the Companies") have jointly acquired a 60% interest in two mineral claim groups totaling 647 mineral claim units in the Anders Lake and Leckie Lake areas, Thunder Bay Mining Division. The Companies obtained their 60% interest by each paying \$5,000 and issuing 150,000 common shares, and by collectively incurring \$700,000 in exploration expenditures.

c) Nighthawk Joint Venture

The Company has a 40% interest in a joint venture comprising a 371 unit pooled mineral claim group, together with Cross Lake Minerals Ltd. ("Cross Lake") (40%) and Dragon (20%). During a previous fiscal year, Repadre Capital Corporation sold its original 60% interest in the joint venture to the three remaining participants, based on their existing pro-rata joint venture interests relative to each other, in exchange for a 2.5% Net Smelter Returns ("NSR") royalty, which can be reduced to 1% with the payment of \$1,500,000. In addition, certain portions of the property are subject to NSRs ranging from 2% to 3%.

The Company, Cross Lake and Dragon had optioned 65% of the property to Falconbridge Limited ("Falconbridge"). In order for Falconbridge to earn a 50% interest it had to incur exploration expenditures of \$2.975 million over six years and then complete prefeasibility and feasibility studies to earn the remaining 15% interest. During the year ended April 30, 2003, Falconbridge terminated its option to acquire an interest in the property.

d) Havoc

The Company acquired a 100% interest in 348 mineral claim units in the Thunder Bay Mining Division by making a cash payment of \$25,000 (paid) and issuing 100,000 common shares (issued), and then optioned up to a 70% interest in the property to Resource Development Corporation Ltd. ("RDC") which must pay the Company \$135,000 (\$25,000 received) and incur \$1,000,000 in exploration expenditures by February 28, 2007 to earn a 50% interest. RDC can earn the remaining 20% interest by completing a feasibility study and arranging project financing.

4. **MINERAL PROPERTIES** *(continued)*

e) **Linsey Bay**

The Company has an option to earn a 100% interest in 386 claim units in the Ficht Lake & Attwood Lake Area, Thunder Bay Mining Division, subject to 3% NSR royalty. In order for the Company to earn its interest it is to make cash payments totalling \$100,000 (\$10,000 paid), issue 200,000 common shares (100,000 issued) and incur an aggregate of \$224,000 in exploration costs.

f) **Steele and Bonis-Scapa**

The Company acquired from Dragon a 50% interest in 176 mineral claim units located in Bonis, Scapa and Steele Townships. The Company paid Dragon \$25,000 and incurred \$170,200 in property exploration expenditures to earn its interest.

g) **Little Sturge**

The Company and Dragon were jointly granted an option to acquire equal 50% interests in 58 claim units located at Little Sturge Lake in the Thunder Bay Mining Division, subject to a 1% NSR. The NSR could be jointly purchased by the Company and Dragon any time for \$500,000. To earn its joint venture interest, the Company paid \$4,800 and issued 50,000 common shares. On behalf of the joint venture, the Company entered into a subsequent option agreement to acquire additional claims at Little Sturge Lake, and in this connection paid \$15,000 and issued 100,000 common shares. During the current year, the Company and Dragon terminated this option and have written-off all deferred costs associated with this property.

h) **Hele**

The Company and Dragon were jointly granted an option to acquire a 100% interest in 16 claim units located in Hele Township, Thunder Bay Mining Division, subject to a 2% NSR. To earn its joint venture interest, the Company was required to pay \$20,000 (\$7,650 paid) prior to July 13, 2003 and to issue 50,000 common shares (issued). During the current year, the Company and Dragon terminated this option and have written-off all deferred costs associated with this property.

i) **Rift Project**

The Company and Dragon entered into a participation agreement with Teck Cominco Ltd. (formerly Teck Corporation) ("Teck") whereby Teck was granted the exclusive right, subject to a time limitation, to acquire options in the Hele, Little Sturge, Stop, Alwyn, Disraeli, Spruce River, and Walkover claims (collectively know as the "Rift Project"). Pursuant to this agreement, Teck funded \$250,000 private placements in both the Company and Dragon at \$0.25 per common share, and the Company and Dragon agreed to incur \$300,000 in exploration work on the Rift Project (completed). The Company, Dragon and Teck then entered into an exploration joint venture agreement pursuant to which Teck acquired the right to earn a 51% interest in the Hele, Little Sturge, Spruce River, Stop and Alwyn claims in consideration for incurring an aggregate of \$6.8 million in exploration work prior to December 17, 2006. Teck terminated its option during 2002, and consequently all costs associated with this project have been currently reallocated to the properties that were subject to it.

OTHER PROPERTIES

The Company has interests in various other properties located in Ontario.

5. CAPITAL ASSETS

	2003			2002		
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Cost \$	Accumulated Amortization \$	Net Book Value \$
Computers	11,156	7,324	3,832	10,199	5,967	4,232

6. INCOME TAXES

The Company has incurred non-capital losses aggregating approximately \$1.7 million which are available to be offset against future taxable income until April 30, 2010 and also has approximately \$3.8 million in resource deductions available that have an unlimited carryforward period. The potential benefits associated with these tax pools are not reflected in these financial statements as it is not considered likely that they will be utilized to reduce future taxable income.

7. SHARE CAPITAL

- a) Authorized Share Capital consists of 100,000,000 common shares without par value.

	Years Ended April 30,			
	2003		2002	
	Number of shares	Amount \$	Number of shares	Amount \$
Issued - Beginning of year	40,507,707	9,302,773	36,646,040	8,241,223
Warrants	500,000	60,000	-	-
Private placements - flow-through	3,440,000	344,000	1,100,000	110,000
Private placements	4,660,000	**431,000	950,000	95,000
Stock options exercised	599,500	84,425	100,000	15,000
Special warrants converted	-	-	*1,466,667	800,000
Mineral properties	750,000	98,000	245,000	41,550
Issued - End of year	50,457,207	10,320,198	40,507,707	9,302,773

* inclusive of 133,333 common shares issued as a late-conversion penalty.

** net of share issue costs of \$35,000.

7. **SHARE CAPITAL** (continued)

b) Stock option continuity:

	Years Ended April 30,			
	2003		2002	
	Number of Shares	Weighted Average Exercised Price \$	Number of Shares	Weighted Average Exercised Price \$
Fixed options:				
Balance at beginning of fiscal years	3,640,000	0.15	2,102,000	0.15
Granted	2,235,000	0.19	2,860,000	0.14
Expired/Cancelled	(960,500)	0.15	(1,222,000)	0.16
Exercised	(599,500)	0.14	(100,000)	0.15
Outstanding and exercisable at end of fiscal years	<u>4,315,000</u>	0.17	<u>3,640,000</u>	0.15

At April 30, 2003, the weighted-average remaining contractual life on onstanding remaining contracted life onstanding stock options is 0.97 years.

During the year ended April 30, 2003, the Company recorded the fair value of 1,050,000 stock options granted to consultants as stock-based compensation expense of \$72,201.

If the Company has accounted for the stock options granted to directors and employees using the fair value method, the pro-forma effect on net loss per share for the year ended April 30, 2003 would be as follows:

Net loss for the year:

As reported	\$ 924,580
Additional compensation expense	96,525
Pro-forma net loss for the year	<u>1,021,105</u>

Loss per share:

As reported and pro-forma	<u>\$ (0.02)</u>
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The fair value is estimated using the Black-Scholes Option Pricing Model with the following assumptions: a risk free interest rate of 3.5 and 4%; an expected stock price volatility of between 115% and 117%; an expected option life of 2 years; and no expectation for the payment of dividends.

Option pricing models require the input of highly subjective assumptions, including the expected volatility of the stock price. Changes in these subjective input assumptions can materially affect the fair value estimate, and therefore in management's opinion the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

7. **SHARE CAPITAL** (continued)

The following table summarizes information about stock options outstanding and exercisable at April 30, 2003.

<u>Number Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	\$	
910,000	0.16	May 21, 2003
100,000	0.15	October 2, 2003
50,000	0.14	February 4, 2004
1,020,000	0.11	March 13, 2004
200,000	0.12	May 2, 2004
<u>2,035,000</u>	0.20	September 11, 2004
<u><u>4,315,000</u></u>		

* expired subsequent to April 30, 2003

c) Warrants outstanding at April 30, 2003:

<u>Number Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	\$	
750,000	0.12	November 1, 2003
300,000	0.30	January 8, 2004
500,000	0.15	April 1, 2004
3,850,000	0.13/0.15	May 12, 2003/2004
1,650,000	0.13/0.15	May 16, 2003/2004
1,700,000	0.13/0.15	January 14, 2004/2005
600,000	0.15	December 31, 2004
100,000	0.12/0.15	January 21, 2004/2005
<u>9,450,000</u>		

8. OBLIGATION TO ISSUE SHARES

At April 30, 2002 the Company had received \$285,000 of a total of \$550,000 due pursuant to the terms of three anticipated private placements, aggregating 5,500,000 common shares at \$0.10 per share, all of which closed during the current year when the remaining proceeds were received.

9. SPECIAL WARRANTS

During 1999, the Company had issued 1,333,334 flow-through special warrants at a price of \$0.60, and these were converted into common shares during the comparative year. A 10% penalty associated with the delay in conversion applied and an additional 133,333 common shares were issued to the holders of the special warrants.

10. LOSS PER SHARE

Loss per share has been calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is anti-dilutive and is therefore not disclosed.

11. **COMMITMENT**

At April 30, 2003, the Company is required to incur approximately \$7,300 of qualifying exploration expenditures prior to December 31, 2003 to meet obligations under flow-through share agreements.

12. **SUBSEQUENT EVENTS**

In addition to items disclosed elsewhere in these notes, the following occurred during the period subsequent to April 30, 2003:

- The Company issued 200,000 common shares, of which 150,000 was flow-through for private placements at \$0.10 per share, 100,000 common shares of which 50,000 was flow-through for warrants exercised at \$0.12 per share and 250,000 common shares for property acquisitions at various prices.
- The Company's President resigned his position and also resigned from the Company's board, and was replaced as President by another current director.