

**Sur American
Gold Corporation**
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003 and 2002

AUDITORS' REPORT

To the Shareholders of
Sur American Gold Corporation

We have audited the consolidated balance sheets of Sur American Gold Corporation as at December 31, 2003 and 2002 and the consolidated statements of loss and deficit and cash flow 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 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

"D&H Group"

Vancouver, B.C.
April 30, 2004

Chartered Accountants

Sur American Gold Corporation

CONSOLIDATED BALANCE SHEETS

	December 31,	
	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 935,315	\$ 80,849
Amounts receivable and advances	20,063	24,518
Prepaid expenses	<u>4,833</u>	<u>5,801</u>
	960,211	111,168
INVESTMENTS IN AND ADVANCES TO AFFILIATES (Note 5)	1,825,401	–
CAPITAL ASSETS (Note 6)	<u>69,046</u>	<u>31,171</u>
	\$ <u>2,854,658</u>	\$ <u>142,339</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 273,126	\$ 125,668
Loans payable (Note 7)	<u>498,877</u>	<u>–</u>
	772,003	125,668
LOANS PAYABLE (Note 7)	–	1,027,377
NON-CONTROLLING INTEREST IN SUBSIDIARY	<u>212,668</u>	<u>–</u>
	<u>984,671</u>	<u>1,153,045</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	9,874,074	6,573,394
SHARES SUBSCRIBED	–	90,000
CONTRIBUTED SURPLUS (Note 9)	902,324	5,539
RETAINED EARNINGS (DEFICIT)	<u>(8,906,411)</u>	<u>(7,679,639)</u>
	<u>1,869,987</u>	<u>(1,010,706)</u>
	\$ <u>2,854,658</u>	\$ <u>142,339</u>
GOING CONCERN AND NATURE OF OPERATIONS (Note 1)		
SUBSEQUENT EVENTS (Note 15)		

See accompanying summary of accounting policies and notes to consolidated financial statements

Approved by the Board “J. Rennie Blair” Director “Alicia Nicholson” Director

Sur American Gold Corporation

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

	Years ended December 31,	
	<u>2003</u>	<u>2002</u> (Note 2)
EXPENSES		
Bank charges and interest	\$ 2,409	\$ 897
Depreciation and amortization	12,993	12,424
Foreign exchange (gain) loss	4,853	(615)
Interest on loan payable	41,151	39,923
Legal and professional	49,855	18,933
Office and miscellaneous	20,594	16,276
Regulatory and shareholder costs	96,231	27,642
Rent	26,000	31,349
Salaries and benefits	90,000	132,000
Telephone and fax	3,516	3,452
Travel and accommodations	6,946	8,066
Stock-based compensation	<u>1,043,414</u>	<u>5,539</u>
INCOME (LOSS) BEFORE OTHER ITEMS	<u>(1,397,962)</u>	<u>(295,886)</u>
OTHER ITEMS		
Interest income	171,190	82
Impairment of resource interests	<u>—</u>	<u>(242,940)</u>
	<u>171,190</u>	<u>(242,858)</u>
NET INCOME (LOSS) FOR THE YEAR	(1,226,772)	(538,744)
RETAINED EARNINGS (DEFICIT), beginning of year	<u>(7,679,639)</u>	<u>(7,140,895)</u>
RETAINED EARNINGS (DEFICIT), end of year	\$ <u>(8,906,411)</u>	\$ <u>(7,679,639)</u>
EARNINGS (LOSS) PER SHARE, basic and diluted	\$ <u>(0.03)</u>	\$ <u>(0.02)</u>

See accompanying summary of accounting policies and notes to consolidated financial statements

Sur American Gold Corporation

CONSOLIDATED STATEMENTS OF CASH FLOW

	Years ended December 31,	
	2003	2002
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ (1,226,772)	\$ (538,744)
Adjustments to reconcile net cash provided by (used in) operating activities		
Depreciation and amortization	12,993	12,424
Impairment of resource interests	–	242,940
Stock-based compensation	1,043,414	5,539
Unpaid interest income	(167,814)	–
Decrease (increase) in		
Amounts receivable and advances	4,455	(12,747)
Prepaid expenses	968	9,937
Increase (decrease) in		
Accounts payable and accrued liabilities	87,989	380,946
	<u>(244,767)</u>	<u>100,295</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Expenditures on resource interests	–	(143,707)
Purchase of capital assets	(50,868)	(2,687)
Advances to affiliates	(741,598)	–
Cash held by acquired subsidiary	1,649	–
	<u>(790,817)</u>	<u>(146,394)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuances of common shares	1,916,800	–
Share subscription received	–	90,000
Share issued costs paid	(26,750)	–
	<u>1,890,050</u>	<u>90,000</u>
INCREASE IN CASH DURING THE YEAR	854,466	43,901
CASH, beginning of year	<u>80,849</u>	<u>36,948</u>
CASH, end of year	\$ <u>935,315</u>	\$ <u>80,849</u>

See Note 14.

See accompanying summary of accounting policies and notes to consolidated financial statements

Sur American Gold Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

1. GOING CONCERN AND NATURE OF OPERATIONS

Sur American Gold Corporation (the "Company") is incorporated under the laws of the Province of Alberta. Its principal business activity is natural resource exploration, presently focusing on unproven mineral interests located in the Philippines.

For the year ended December 31, 2003 the Company incurred a net loss of \$ 1,226,772 (2002 - \$ 538,744) and as at December 31, 2003 had a deficit of \$ 8,906,411 (2002 - \$ 7,679,639). The Company's ability to continue in operation is dependent on its ability to secure additional financing to fund ongoing administrative, and planned exploration, expenditures, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and settle its liabilities in other than the normal course of business, possibly at amounts different from those presented in these consolidated financial statements.

2. ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") which necessarily involves the use of estimates. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Exploradora La Esperanza S.A., and its 70% owned subsidiary Sabena Limited.

Revenue recognition

Interest income is recognized ratably as earned and when collection is believed to be reasonably assured.

Resource interests

Costs incurred to acquire and explore a resource interest are capitalized. These capitalized costs are periodically assessed for impairment and an impairment change is recognized in the accounts upon abandonment, upon failure to detect economically recoverable mineralization or when exploration activities are not anticipated to occur or to continue in the foreseeable future.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis at annual rates between 20% and 30%.

Earnings (loss) per share

Earnings (loss) per share is determined using the weighted-average number of common shares outstanding during the year, which amounted to 38,309,081 (2002 - 25,977,228) common shares. Diluted earnings (loss) per share has not been presented separately as the effect of common shares issuable on exercise of warrants and stock options is anti-dilutive.

Sur American Gold Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

2. ACCOUNTING POLICIES - continued

Foreign currency translation

Monetary assets and liabilities are translated into Canadian dollars at the rate of exchange on the balance sheet date and non-monetary assets and liabilities at historical rates. Revenues and expenses are translated at appropriate transaction date rates except for depreciation and amortization, which are translated at historical rates. Gains and losses on translation are included in income.

Income taxes

Income taxes are recorded on a tax allocation basis. Under this method, current income taxes are recognized for the estimated income taxes payable for the year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using enacted income tax rates. Future income tax assets are recognized with respect to deductible temporary differences and loss carryforwards only to the extent their realization is considered more likely than not.

Comparative figures

Certain 2002 comparative figures have been reclassified to conform to the presentation used in the current year.

3. CHANGE IN ACCOUNTING POLICY

In the fourth quarter of 2003, the Company adopted the fair value method of accounting for all employee and non-employee stock-based compensation under the amended recommendations of the Canadian Institute of Chartered Accountants' Handbook Section 3870 *Stock-based Compensation and Other Stock-based Payments*. This change has been applied retroactively to January 1, 2003

As permitted by Section 3870, the Company did not adopt the fair value method for certain stock-based compensation granted to employees and directors during the year ended December 31, 2002. The additional disclosure required by Section 3870 as a result of the Company not adopting the fair value method in 2002 is provided in Note 9.

Under the fair value method, stock-based compensation expense is recognized at the time of award with an offsetting increase in contributed surplus.

4. BUSINESS COMBINATION

In June 2003 the Company acquired a 70% equity interest in an Australian corporation, Sabena Limited ("Sabena"), in exchange for 5,000,000 common shares issued from treasury. The remaining 30% of Sabena is held by three individuals, one of whom is presently a director of Sabena, and two of whom are also presently directors of Sabena and the Company and who are former directors of the vendor, Eastern Corporation, an Australian public company.

At the date of acquisition Sabena held: an option, exercisable on payment of \$ 150,000 Australian dollars to a corporation with certain directors in common, which was exercised subsequent to the date of acquisition, to acquire a 40% equity interest in Philco Mining Corporation, a Philippine corporation that holds interests in several unproven mineral exploration projects; a 50% interest in the T'Boli Gold Project joint venture, a Philippine mineral exploration joint venture that holds interests in several unproven mineral exploration projects; and an option to acquire the mineral processing rights to all mineralization found on the above noted projects. The Company believes its mineral processing rights would be limited to a 40% interest in such processing due to applicable foreign ownership restrictions in place under Philippine law.

Sur American Gold Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

4. BUSINESS COMBINATION - continued

Subsequent to December 31, 2003 the Company exchanged its 50% interest in the joint venture for a 40% equity interest in the Philippine corporation that held the legal rights to the unproven mineral interests. This was done to comply with the 40% foreign ownership restriction.

The acquisition has been accounted for using the purchase method. The cost of acquisition, being \$ 500,000 (\$ 0.10 per share) was allocated as follows:

Assets acquired:

Option to acquire a 40% equity interest in Philco Mining Corporation	\$ 385,245
50% interest in T'Boli Gold Project joint venture	385,244
Cash	<u>1,649</u>
	772,138

Liabilities assumed:

Accounts payable and accrued liabilities	59,470
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Non-controlling interest in subsidiary	<u>212,668</u>
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Fair value of consideration issued	\$ <u>500,000</u>
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The operating results of Sabena have been included in these consolidated financial statements from the effective date of acquisition of June 18, 2003. Sabena is essentially a holding company and is therefore inactive.

5. INVESTMENTS IN AND ADVANCES TO AFFILIATES

The Company holds equity interests in three Philippine entities engaged in the exploration of unproven mineral interests located in the Philippines.

Philco Mining Corporation	
40% equity interest	\$ 265,373
Mineral exploration advances	741,598
Interest receivable	<u>167,814</u>
	<u>1,174,785</u>

Batoto Resources Corporation	
40% equity interest	<u>265,372</u>
T'Boli Gold Project joint venture	
50% interest	<u>385,244</u>
	\$ <u>1,825,401</u>

The advances bear interest at 36% per annum, compounded monthly. The Company's ability to recover the investments and mineral exploration advances is dependent upon the investees' success in locating economically recoverable mineral deposits and in successfully developing a profitable extraction, processing and marketing business, or on the sale of the underlying interests in an amount sufficient to allow for repayment of the advances and accrued interest and recovery of the investments.

Sur American Gold Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

5. INVESTMENTS IN AND ADVANCES TO AFFILIATES - continued

Batoto Resources Corporation was established after the acquisition of Sabena and holds certain unproven mineral interests previously held by Philco Mining Corporation. As a result, \$ 265,372 of the \$ 530,475 acquisition cost of the interest in Philco Mining Corporation was assigned to the interest in Batoto Resources Corporation.

6. CAPITAL ASSETS

	2003			2002
	Cost	Accumulated amortization	Net	Net
Vehicle	\$ 45,646	\$ 6,846	\$ 38,800	\$ -
Office furniture and equipment	<u>101,474</u>	<u>71,228</u>	<u>30,246</u>	<u>31,171</u>
	\$ <u>147,120</u>	\$ <u>78,074</u>	\$ <u>69,046</u>	\$ <u>31,171</u>

7. LOANS PAYABLE

	2003	2002
Loan payable of \$ 250,000 and accrued interest payable of \$ 43,936, due on January 5, 2004, bearing interest at 14% per annum, unsecured	\$ 293,936	\$ 293,936
Due to directors without interest, unsecured and due on January 5, 2004	44,441	718,441
Due on January 5, 2004 without interest and unsecured	15,000	15,000
Due to a corporation with certain directors in common on June 30, 2004, bearing interest at 5% per annum (\$ 150,000 Australian dollars)	<u>145,500</u>	<u>-</u>
	\$ <u>498,877</u>	\$ <u>1,027,377</u>

8. SHARE CAPITAL

Authorized

Unlimited common shares without par value

	2003		2002	
	Shares	\$	Shares	\$
Issued				
Beginning of year	26,801,063	\$ 6,573,394	24,501,063	\$ 6,343,394
Common shares issued for:				
Private placements	9,657,000	1,574,250	1,100,000	110,000
Exercise of warrants	1,432,000	159,800	-	-
Exercise of stock options	2,675,000	419,380	-	-
Acquisition of subsidiary	5,000,000	500,000	-	-
Settlement of debt	<u>4,814,285</u>	<u>674,000</u>	<u>1,200,000</u>	<u>120,000</u>
	50,379,348	9,900,824	26,801,063	6,573,394
Less: Share issued costs	<u>-</u>	<u>26,750</u>	<u>-</u>	<u>-</u>
	<u>50,379,348</u>	\$ <u>9,874,074</u>	<u>26,801,063</u>	\$ <u>6,573,394</u>

Sur American Gold Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

8. SHARE CAPITAL -continued

(a) During the year ended December 31, 2003 the Company completed:

- i. a private placement of 5,600,000 units at \$ 0.10 per unit, for gross proceeds of \$ 560,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share, for a period of two years, for \$ 0.15 on or before March 27, 2004 and \$ 0.20 on or before March 27, 2005. A commission of \$ 2,500 in cash and 25,000 warrants was paid on a portion of the private placement. Persons related to a director purchased 22,000 units of the private placement; and
- ii. a private placement of 4,000,000 units at \$ 0.25 per unit, for gross proceeds of \$ 1,000,000. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share, for a period of two years, for \$ 0.35 until November 19, 2004 and \$ 0.50 until November 19, 2005. A commission of \$ 10,000 in cash and 57,000 units was paid on a portion of the private placement. Directors and a person related to a director purchased 724,000 units of the private placement.

(b) At December 31, 2003 the Company had outstanding warrants issued, pursuant to various private placements, which may be exercised to purchase 9,350,000 common shares. The warrants expire at various dates through November 2005.

Details of warrants issued during the years ended December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Issued, beginning of year	1,100,000	1,100,000
Issued pursuant to private placements	9,682,000	-
Exercised	<u>(1,432,000)</u>	<u>-</u>
	<u>9,350,000</u>	<u>1,100,000</u>

The following table summarizes information about warrants issued and exercisable at December 31, 2003.

<u>Exercise price</u>	<u>Warrants outstanding</u>	<u>Expiry date</u>
\$ 0.15/0.20	5,293,000	March 27, 2005
0.35/0.50	<u>4,057,000</u>	November 19, 2005
	<u>9,350,000</u>	

(c) See also Note 15.

9. STOCK-BASED COMPENSATION

The Company has an incentive stock option plan (the "Plan"). Under the Plan a total of 10% of the Company's outstanding common shares are reserved for the issuance of stock options to directors, officers, employees and consultants. The terms of the option and the option price are fixed by the directors at the time of grant subject to price restrictions imposed by the TSX Venture Exchange. Stock options awarded have a maximum term of five years and vest on the date of award.

Sur American Gold Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

9. STOCK-BASED COMPENSATION - continued

The following is a summary of the total number of stock options outstanding:

	<u>Options outstanding</u>	<u>Weighted average exercise price</u>
Balance at January 1, 2002	725,000	\$ 0.56
Expired	(375,000)	0.87
Awarded	<u>1,750,000</u>	<u>0.10</u>
Balance at January 1, 2003	2,100,000	0.12
Awarded	5,575,000	0.17
Expired	(50,000)	0.25
Exercised	<u>(2,675,000)</u>	<u>0.10</u>
Balance at December 31, 2003	<u>4,950,000</u>	\$ <u>0.19</u>

The following summarizes information about stock options outstanding at December 31, 2003:

<u>Exercise price</u>	<u>Number outstanding and exercisable</u>	<u>Expiry date</u>
\$ 0.25	300,000	September 2004
0.10	150,000	May 2007
0.10	700,000	January 2008
0.11	1,440,000	September 2008
0.15	1,360,000	September 2008
0.25	150,000	November 2008
0.45	<u>850,000</u>	December 2008
	<u>4,950,000</u>	

As discussed in Note 3, effective January 1, 2003 the Company adopted the amendments to Section 3870 in respect of accounting for stock-based compensation. As the Company did not adopt the fair value method of accounting for stock options granted to employees and directors in 2002, Section 3870 requires disclosure of pro forma amounts that reflect the impact as if the Company had adopted the fair value based method of accounting. Had compensation costs for the Company's stock options granted to employees and directors been accounted for under the fair value method, the Company's net loss and loss per share would have increased as follows:

Sur American Gold Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

9. STOCK-BASED COMPENSATION - continued

	<u>2002</u>
Net income (loss) as reported	\$ (538,744)
Pro forma stock option expense	<u>(90,993)</u>
Net income (loss) – pro forma	\$ <u>(629,737)</u>
Earnings (loss) per share – as reported	\$ (0.02)
Earnings (loss) per share – pro forma	\$ (0.02)

The fair value of stock options awarded to employees, directors and consultants was estimated on the dates of award using the Black-Scholes option pricing model with the following assumptions:

	<u>2003</u>	<u>2002</u>
Risk-free interest rate	2.8 to 4.13%	4.13%
Estimated volatility	134% to 164%	134%
Expected life	5 years	5 years

The average fair value of stock options awarded during the 2002 fiscal year, calculated using the Black-Scholes option pricing model, was \$ 0.14.

The Black-Scholes option pricing model was developed for use in estimating the fair value of stock options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Change in the underlying assumptions can materially affect the fair value estimates.

10. INCOME TAXES

As at December 31, 2003, the Company has approximately \$ 2,600,000 of non-capital losses available to offset future taxable income in Canada which expire between 2004 and 2009. The potential benefit of these losses have not been recognized in the consolidated financial statements as there is no reasonable assurance such benefit will be realized.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable and advances, investments in and advances to affiliates, accounts payable and accrued liabilities and loans payable.

Fair value

The fair value of cash, amounts receivable and advances and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.

The fair value of the interest-bearing loans payable is believed to approximate the carrying amount as the loans is believed to bear fair market rates of interest for debt of similar risk. The fair value of the amounts due to directors is not readily obtainable.

It is not practicable to determine the fair value of the investments in and advances to affiliates.

Sur American Gold Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

11. FINANCIAL INSTRUMENTS -continued

Interest rate risk

The interest-bearing loans payable bear interest at fixed rates, and the amounts due to directors are non-interest bearing. Therefore these amounts do not expose the Company to interest rate cash flow risk.

Credit risk

The Company's maximum exposure to credit risk is represented by the book value of the Company's financial instruments. Credit risk associated with advances to affiliates is concentrated in minority-held, mineral exploration entities located in the Philippines.

12. RELATED PARTY TRANSACTIONS

Included in amounts receivable and advances is \$ 9,125 (2002 - \$ 21,689) due from directors.

Included in accounts payable and accrued liabilities is \$ 177,026 (2002 - \$ 43,944) payable to directors and a corporation controlled by a director.

During the year, gross rent of \$ 26,000 (2002 - \$ 30,000) was paid to directors.

See Notes 7, 8 and 9.

13. SEGMENTED INFORMATION

The Company's corporate assets are located in Canada and the Company holds investments in corporations located in the Philippines and Australia and natural resource exploration activities have occurred in Colombia in past years.

	2003				
	Canada	Australia	Philippines	Colombia	Consolidated
Current assets	\$ 952,168	\$ 1,833	\$ -	\$ 6,210	\$ 960,211
Capital assets	<u>51,847</u>	<u>-</u>	<u>-</u>	<u>17,199</u>	<u>69,046</u>
	<u>\$ 1,004,015</u>	<u>\$ 1,833</u>	<u>\$ -</u>	<u>\$ 23,409</u>	<u>\$ 1,029,257</u>
	2002				
	Canada	Australia	Philippines	Colombia	Consolidated
Current assets	\$ 103,713	\$ -	\$ -	\$ 7,455	\$ 111,168
Capital assets	<u>13,972</u>	<u>-</u>	<u>-</u>	<u>17,199</u>	<u>31,171</u>
	<u>\$ 117,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,654</u>	<u>\$ 142,339</u>

Sur American Gold Corporation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

14. SUPPLEMENTAL CASH FLOW INFORMATION

The Company has conducted non-cash financing activities as follows:

	<u>2003</u>	<u>2002</u>
Investing activities		
Acquisition of subsidiary	\$ (770,489)	\$ -
Financing activities		
Common shares issued to acquire subsidiary	500,000	-
Common shares issued for subscriptions received	90,000	-
Subscription settled with common shares	(90,000)	-
Debt settled for common shares	674,000	120,000
Shares issued to settle debt	(674,000)	(120,000)
Non-controlling interest in subsidiary	212,668	-
Notes payable issued to settle accounts payable and accrued liabilities	<u>-</u>	<u>777,377</u>
	\$ <u>57,821</u>	\$ <u>(777,377)</u>

The Company has paid interest of \$ 71,712 (2002 - \$ nil).

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2003:

- 1,225,000 stock options were exercised for cash of \$ 141,250. Of this amount, directors and a former director exercised 1,150,000 stock options for cash of \$ 126,000.
- 4,855,000 warrants were exercised for proceeds of \$ 732,250, of this amount, a director, a corporation and a trust controlled by the director and members of the director's immediate family exercised 3,450,000 warrants for \$ 517,500 as follows:
 - By the director, 800,000 warrants for cash of \$ 120,000.
 - By a corporation and a trust controlled by the director, 2,040,000 warrants for cash of \$ 306,000.
 - By members of the director's immediate family, 610,000 warrants for cash of \$ 91,500.
- The Company awarded 1,400,000 stock options exercisable at \$ 1.30 per share until February 29, 2009
- The Company made additional mineral exploration advances of \$ 171,327.

See Note 4.