



British Columbia Securities Commission

**QUARTERLY AND YEAR END REPORT**

BC FORM 51-901F

(previously Form 61)

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<b>ISSUER DETAILS</b>		FOR QUARTER ENDED			DATE OF REPORT				
NAME OF ISSUER					Y M D				
SOUTHERN RIO RESOURCES LTD.		02   02   28			02   04   10				
ISSUER ADDRESS									
1410 – 650 WEST GEORGIA STREET, PO BOX 11584									
CITY/		PROVINCE		POSTAL CODE		ISSUER FAX NO.		ISSUER TELEPHONE NO.	
VANCOUVER		BC		V6B 4N8		604-408-0489		604-687-3959	
CONTACT PERSON				CONTACT'S POSITION				CONTACT TELEPHONE NO.	
LINDSAY BOTTOMER				PRESIDENT				604-687-3959	
CONTACT EMAIL ADDRESS				WEB SITE ADDRESS					
<a href="mailto:info@southernrio.com">info@southernrio.com</a>				<a href="http://www.southernrio.com">www.southernrio.com</a>					

**CERTIFICATE**

*The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.*

DIRECTOR'S SIGNATURE		PRINT FULL NAME			DATE SIGNED		
"LINDSAY BOTTOMER"		LINDSAY BOTTOMER			Y M D		
					02   06   07		
DIRECTOR'S SIGNATURE		PRINT FULL NAME			DATE SIGNED		
"RANDY TURNER"		RANDY TURNER			Y M D		
					02   06   07		

**SOUTHERN RIO RESOURCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FEBRUARY 28, 2002**

## AUDITORS' REPORT

To the Shareholders of  
Southern Rio Resources Ltd.

We have audited the consolidated balance sheets of Southern Rio Resources Ltd. as at February 28, 2002 and 2001 and the consolidated 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 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 February 28, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a consistent basis.

**"DAVIDSON & COMPANY"**

Vancouver, Canada

Chartered Accountants

April 10, 2002

A Member of **SC INTERNATIONAL**

**SOUTHERN RIO RESOURCES LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT FEBRUARY 28**

	2002	2001
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 23,713	\$ 50,283
Receivables	62,898	51,974
Marketable securities	10,000	
Prepaid expenses and deposits	<u>2,000</u>	<u>-</u>
	98,611	102,257
<b>Capital assets</b> (Note 3)	11,376	19,510
<b>Mineral properties</b> (Note 4)	43,600	748,704
<b>Deferred exploration costs</b> (Note 5)	<u>22,861</u>	<u>1,126,033</u>
	<u>\$ 176,448</u>	<u>\$ 1,996,504</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 79,929	\$ 232,610
Due to related parties (Note 6)	<u>161,035</u>	<u>284,715</u>
	<u>240,964</u>	<u>517,325</u>
<b>Shareholders' equity (deficiency)</b>		
Capital stock (Note 7)	8,215,626	7,700,826
Deficit	(8,282,190)	(6,252,907)
Cumulative translation adjustment	<u>2,048</u>	<u>31,260</u>
	<u>(64,516)</u>	<u>1,479,179</u>
	<u>\$ 176,448</u>	<u>\$ 1,996,504</u>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 12)

**On behalf of the Board:**

"Lindsay Bottomer"	Director	"Randy Turner"	Director
Lindsay Bottomer		Randy Turner	

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

**SOUTHERN RIO RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**YEAR ENDED FEBRUARY 28**

	2002	2001
<b>EXPENSES</b>		
Administration fees	\$ 40,500	\$ 16,250
Advertising and promotion	8,917	13,364
Amortization	4,998	4,700
Consulting	47,038	34,783
Interest and bank charges	946	6,790
Management fees	42,050	-
Office and miscellaneous	20,521	57,624
Professional fees	74,423	64,804
Rent	17,500	19,000
Salaries and benefits	30,106	9,159
Transfer agent and filing fees	21,993	27,467
Travel and related costs	<u>9,586</u>	<u>21,679</u>
<b>Loss before other items</b>	<u>(318,578)</u>	<u>(275,620)</u>
<b>OTHER ITEMS</b>		
Interest income	4,426	-
Miscellaneous income	-	1,060
Gain on option of mineral property (Note 4)	-	28,488
Gain on sale of land (Note 4)	-	43,451
Write-off of mineral properties (Note 4)	(748,704)	(748,702)
Write-off of deferred exploration costs (Note 5)	<u>(966,427)</u>	<u>(837,231)</u>
	<u>(1,710,705)</u>	<u>(1,512,934)</u>
<b>Loss for the year</b>	(2,029,283)	(1,788,554)
<b>Deficit, beginning of year</b>	<u>(6,252,907)</u>	<u>(4,464,353)</u>
<b>Deficit, end of year</b>	<u>\$ (8,282,190)</u>	<u>\$ (6,252,907)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.10)</u>	<u>\$ (0.11)</u>
<b>Weighted average number of shares outstanding</b>	<u>21,226,980</u>	<u>15,732,392</u>

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

**SOUTHERN RIO RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEAR ENDED FEBRUARY 28**

	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (2,029,283)	\$ (1,788,554)
Items not affecting cash		
Amortization	4,998	4,700
Gain on option of mineral property	-	(28,488)
Gain on sale of land	-	(43,451)
Write-off of mineral properties	748,704	748,702
Write-off of deferred exploration costs	966,427	837,231
Loss on sale of capital assets	5,388	-
Services rendered	(10,000)	-
Changes in non-cash working capital items		
Increase in receivables	(10,924)	(41,578)
Increase in prepaid expenses and deposits	(2,000)	-
Increase (decrease) in accounts payable and accrued liabilities	(152,681)	82,597
Increase (decrease) in due to related parties	<u>(123,680)</u>	<u>288,668</u>
Net cash provided by (used in) operating activities	<u>(603,051)</u>	<u>59,827</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of mineral property	(22,600)	(37,003)
Deferred exploration costs	(341,534)	(453,028)
Deferred exploration costs recovered	478,279	27,315
Proceeds from mineral property option	-	76,290
Acquisition of capital assets	(5,509)	(12,548)
Proceeds from sale of land	-	70,466
Proceeds from sale of capital assets	<u>4,406</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>113,042</u>	<u>(328,508)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital stock issued	<u>475,100</u>	<u>374,625</u>
Net cash provided by financing activities	<u>475,100</u>	<u>374,625</u>
<b>Effect of exchange rate changes on cash</b>	<u>(11,661)</u>	<u>(75,489)</u>
<b>Change in cash position during the year</b>	(26,570)	30,455
<b>Cash position, beginning of year</b>	<u>50,283</u>	<u>19,828</u>
<b>Cash position, end of year</b>	<u>\$ 23,713</u>	<u>\$ 50,283</u>
<b>Cash paid for interest</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash paid for income taxes</b>	<u>\$ -</u>	<u>\$ -</u>

**Supplemental disclosures with respect to cash flows (Note 10)**

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

**SOUTHERN RIO RESOURCES LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FEBRUARY 28, 2002

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company is considered to be in the exploration stage with respect to its interests in mineral properties.

The recoverability of the amounts comprising mineral properties and deferred exploration costs are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development and upon future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

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	2002	2001
Deficit	\$ (8,282,190)	\$ (6,252,907)
Working capital (deficiency)	(142,353)	(415,068)

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant area requiring the use of management estimates relates to the determination of impairment of mineral properties. Actual results could differ from those estimates.

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Golden Pavilion Resources Ltd., a British Columbia corporation and Minera Southern Rio S.A., a Chilean corporation.

**Financial instruments**

The Company's financial instruments consist of cash, receivables, marketable securities, accounts payable and accrued liabilities and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Marketable securities**

Marketable securities are recorded at the lower of cost or market value. The market value of marketable securities at February 28, 2002 is \$27,000.

**Capital assets and amortization**

Capital assets are recorded at cost less accumulated amortization. Amortization is being provided for using the straight-line method over five years.

**Mineral properties**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized on the basis of units produced in relation to the estimated reserves of the related property following commencement of production, or written off if the mineral interests are sold or abandoned.

**Deferred exploration costs**

The Company defers expenditures directly attributable to the exploration and development of mineral properties, pending a decision as to the commercial viability of a property. If reserves are developed, the deferred costs will be amortized to operations when production is commenced on the property. Such amortization will be computed on the basis of units produced in relation to the estimated reserves. All deferred costs relating to the project will be expensed in the year of abandonment or sale.

**Values**

The amounts shown for mineral properties and for deferred exploration costs represent costs to date, and do not necessarily represent present or future values, as they are entirely dependent upon the economic recovery of current and future reserves.

**Cost of maintaining mineral properties**

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

**Environmental protection and reclamation costs**

The Company's policy relating to environmental protection and land reclamation programs is to charge to income during the year any costs incurred in environmental protection and land reclamation. At this time the Company does not foresee the necessity to make any material expenditures in this area.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Foreign currency translation**

The Company's foreign operation is operationally self-sustaining and is translated into Canadian dollars using the current rate method. Under this method assets and liabilities are translated at the rate of exchange at the balance sheet date and revenues and expenses are translated at the rates which approximate those on the date of the transactions. Exchange gains or losses on translation are included as a component of shareholders' equity.

**Income taxes**

Future income taxes are recorded for using the asset and liability method. Under the asset and liability method, 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. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Stock-based compensation**

The Company grants stock options as described in Note 8. No compensation expense is recognized when stock options are granted or extended. Any consideration received on exercise of stock options is credited to capital stock.

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Loss per share is calculated using the weighted-average number of shares outstanding during the year.

**Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.



**SOUTHERN RIO RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2002**

**4. MINERAL PROPERTIES (cont'd...)**

	2002	2001
<i>Continued...</i>		
<b>Patagonia property, Chile and Argentina</b>		
A 100% interest, subject to a 4% net smelter returns royalty. The property is subject to a 4% net smelter returns royalty. In fiscal 2001, the Company sold a portion of the property resulting in a gain on sale of land of \$43,541. The Company also abandoned certain claims and accordingly mineral properties of \$748,702 and deferred exploration costs of \$837,231 were written-off to operations.		
During the current year, the Company abandoned all remaining claims and accordingly mineral properties of \$748,703 and related deferred exploration costs of \$842,490 were written-off to operations.	-	748,703
<b>Tam property, British Columbia, Canada</b>		
During the current year, the Company paid \$4,700 and issued 10,000 common shares at an agreed value of \$1,000 to acquire a 100% interest. The property is subject to a 1% net smelter return royalty.	5,700	-
<b>Minnitaki property, Ontario, Canada</b>		
During the current year, the Company was granted an option to acquire a 90% interest in certain claims. In order to acquire its interest, the Company must pay \$25,000 and issue 200,000 common shares. To date, the Company has paid \$12,500 and issued 200,000 shares at an agreed value of \$20,000. The property is subject to a sliding scale net smelter return royalty ranging from 1.5% to 3%.	32,500	-
<b>Duke property, British Columbia, Canada</b>		
During the current year, the Company was granted an option to acquire a 100% interest in certain claims. In order to acquire its interest, the Company must pay \$5,400 and issue 50,000 common shares. To date, the Company has paid \$5,400. The property is subject to a 1% net smelter return royalty.	5,400	-
	\$ 43,600	\$ 748,704

**SOUTHERN RIO RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2002**

**5. DEFERRED EXPLORATION COSTS**

<b>2002</b>	Santo Tomas Property	Patagonia Property	Tam Property	Minnitaki Property	Duke Property	Other	Total
Balance, beginning of year	\$ 272,723	\$ 842,490	\$ -	\$ -	\$ -	\$ 10,820	\$ 1,126,033
Consulting	60,903	-	7,618	1,590	1,798	2,096	74,005
Drafting	925	-	-	275	150	142	1,492
Drilling	77,235	-	-	-	-	-	77,235
Government fees	-	-	-	-	-	3,360	3,360
Field supplies	36,089	-	-	22	-	-	36,111
Maps and report costs	95	-	287	449	250	-	1,081
Professional fees	84,097	-	718	2,219	-	350	87,384
Rentals	27,852	-	-	-	-	-	27,852
Travel and related costs	31,477	-	168	751	-	618	33,014
Total deferred costs for the year	318,673	-	8,791	5,306	2,198	6,566	341,534
Costs recovered	(478,279)	-	-	-	-	-	(478,279)
Written-off during the year (Note 4)	(113,117)	(842,490)	-	-	-	(10,820)	(966,427)
	(272,723)	(842,490)	8,791	5,306	2,198	(4,254)	(1,103,172)
Balance, end of year	\$ -	\$ -	\$ 8,791	\$ 5,306	\$ 2,198	\$ 6,566	\$ 22,861

<b>2001</b>	Santo Tomas Property	Patagonia Property	Other	Total
Balance, beginning of year	\$ -	\$ 1,537,551	\$ -	\$ 1,537,551
Assays	610	1,963	108	2,681
Consulting	17,806	10,670	650	29,126
Drafting	23,839	7,037	432	31,308
Field supplies	6,770	7,320	541	14,631
Maps and report costs	1,152	3,142	216	4,510
Professional fees	184,260	114,554	7,358	306,172
Travel and related costs	38,286	24,799	1,515	64,600
Total deferred costs for the year	272,723	169,485	10,820	453,028
Cost recovered	-	(27,315)	-	(27,315)
Written-off during the year (Note 4)	-	(837,231)	-	(837,231)
	272,723	(695,061)	10,820	(411,518)
Balance, end of year	\$ 272,723	\$ 842,490	\$ 10,820	\$ 1,126,033

**SOUTHERN RIO RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2002**

**6. RELATED PARTY TRANSACTIONS**

During the year, the Company entered into the following transactions with related parties:

- a) Paid or accrued \$40,500 (2001 - \$16,250) for administration fees to a company controlled by a director.
- b) Paid or accrued \$17,500 (2001 - \$19,000) for rent to a company controlled by a director.
- c) Paid or accrued \$74,423 (2001 - \$35,647) for professional services to a law firm in which an officer of the Company is a partner.
- d) Paid or accrued \$42,050 (2001 - \$Nil) for management fees to a company controlled by a director.

These transactions are 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.

Amounts due to related parties are non-interest bearing and have no specific terms of repayment.

The fair value of the amounts due to related parties are not determinable as they have no fixed terms of repayment.

**7. CAPITAL STOCK**

	Number of Shares	Amount
Authorized		
50,000,000 common shares without par value		
Issued		
As at February 29, 2000	11,634,231	\$ 6,644,858
For warrants exercised	200,000	34,500
For options exercised	100,000	15,000
For settlement of debt	4,472,283	670,843
For cash – private placement	2,250,000	337,500
Share issue costs	-	(12,375)
For mineral property option	<u>50,000</u>	<u>10,500</u>
As at February 28, 2001	18,706,514	7,700,826
For options exercised	300,000	45,000
For cash – private placement	2,750,000	467,500
Share issue costs	-	(37,400)
Finder's fee	110,000	18,700
For mineral property options	<u>210,000</u>	<u>21,000</u>
As at February 28, 2002	<u>22,076,514</u>	<u>\$ 8,215,626</u>

Included in capital stock are 163,500 common shares currently held in escrow, their release being subject to regulatory approval.

**SOUTHERN RIO RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2002**

**8. STOCK OPTIONS AND WARRANTS**

The Company, in accordance with its shareholder approved stock option plan, is authorized to grant options to directors, officers, employees and consultants, to acquire up to 3,500,000 common shares. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. Options can be granted for a maximum term of 5 years.

The following incentive stock options were outstanding at February 28, 2002:

Number of Shares	Exercise Price	Expiry Date
400,000	\$ 0.15	November 24, 2003
700,000	0.15	June 16, 2005
700,000	0.15	June 4, 2006
50,000	0.15	February 28, 2007

Stock option transactions and the number of share options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, February 29, 2000	500,000	\$ 0.15
Granted	1,500,000	0.16
Exercised	(100,000)	0.15
Expired/cancelled	<u>(200,000)</u>	0.19
Outstanding, February 28, 2001	1,700,000	0.15
Granted	800,000	0.15
Exercised	(300,000)	0.15
Expired/cancelled	<u>(350,000)</u>	0.15
Outstanding, February 28, 2002	1,850,000	\$ 0.15
Options exercisable, February 28, 2002	1,850,000	\$ 0.15

**SOUTHERN RIO RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2002**

**8. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Warrants**

As at February 28, 2002, the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

Number of Shares	Exercise Price	Expiry Date
2,000,000	\$ 0.41	September 28, 2002
2,860,000	0.20	May 24, 2003

**9. SEGMENTED INFORMATION**

The Company operates in two geographic segments in the mining sector:

	2002	2001
Loss for the year:		
Chile	\$ 1,051,382	\$ 784,774
Canada	<u>977,901</u>	<u>1,003,780</u>
	<u>\$ 2,029,283</u>	<u>\$ 1,788,554</u>
Identifiable assets:		
Chile	\$ 61,884	\$ 995,196
Canada	<u>114,564</u>	<u>1,001,308</u>
	<u>\$ 176,448</u>	<u>\$ 1,996,504</u>

**10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the year ended February 28, 2002 include:

- a) The Company received marketable securities with a market value of \$10,000 as payment for services rendered during the year.
- b) The issuance of 10,000 common shares, with an agreed value of \$1,000, as consideration towards the acquisition of the Tam Property in British Columbia (Note 4).
- c) The issuance of 200,000 common shares, with an agreed value of \$20,000 as consideration towards the acquisition of the Minnitaki Property in Ontario (Note 4).

**SOUTHERN RIO RESOURCES LTD.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FEBRUARY 28, 2002

**10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS** (cont'd...)

d) The issuance of 110,000 common shares, with an agreed value of \$18,700, as a finder's fee.

Significant non-cash transactions for the year ended February 28, 2001 include:

- a) The issuance of 4,472,283 common shares, with an agreed value of \$670,843, as a settlement of related party debt.
- b) The issuance of 50,000 common shares, with an agreed value of \$10,500, as consideration towards the acquisition of the Santo Tomas Property in Chile (Note 4).

**11. INCOME TAXES**

a) A reconciliation of income taxes at statutory rates with reported taxes as follows:

	2002	2001
Loss before income taxes	\$ (2,029,283)	\$ (1,788,554)
Income taxes at statutory rates	\$ (844,588)	\$ (815,940)
Non-deductible items	313,691	724,438
Non-deductible losses in subsidiary	404,469	-
Unrecognized benefit of net operating losses carried forward	<u>126,428</u>	<u>91,502</u>
	\$ -	\$ -

The Company has not recorded in these financial statements, the future income tax benefits of approximately \$1,365,000 of non-capital losses which may be applied to reduce income taxes in future years. If not utilized, the losses expire through 2009. In addition, the Company has exploration and development expenditures of approximately \$2,772,000 available to reduce taxable income of future years.

b) Significant components of the Company's future income tax assets and liabilities are as follows:

	2002	2001
Future income tax assets		
Capital assets	\$ 1,835	\$ 3,700
Mineral properties	1,125,924	362,828
Losses available for future periods	<u>568,113</u>	<u>532,000</u>
	1,695,872	898,528
Valuation allowance	<u>(1,695,872)</u>	<u>(898,528)</u>
	\$ -	\$ -

**12. SUBSEQUENT EVENTS**

The following events occurred subsequent to February 28, 2002:

- a) The Company issued 300,000 common shares for proceeds of \$45,000 pursuant to the exercise of stock options by a director of the Company.
- b) The Company was granted an option to acquire a 100% interest in the Taken Property claims located in British Columbia, Canada. To exercise its option, the Company is required to incur an aggregate of \$250,000 in exploration expenditures and issue 200,000 common shares over a four year period. To date, the Company has issued 40,000 shares at an agreed value of \$4,000. The property is subject to a sliding scale net smelter royalty ranging from 2 to 4%.
- c) The Company was granted an option to acquire a 100% interest in the Tsacha Property claims located in British Columbia, Canada. To exercise its option, the Company is required to incur an aggregate of \$1,200,000 in exploration expenditures and issue 400,000 common shares over a three year period, of which 100,000 common shares must be issued by the first year. The property is subject to varying net smelter return royalties, one half of which may be purchased back at any time for \$2,000,000.
- d) The Company was granted an option to acquire a 100% interest in the Bond & Johnson Property claims located in Ontario, Canada. To exercise its option, the Company is required to pay \$10,000 and issue 100,000 common shares over a one year period. The property is subject to a 2.5% net smelter royalty, 1.5% of which may be purchased back at any time for \$1,500,000.
- e) The Company entered into private placement agreements to issue 1,025,000 common shares at a price of \$0.15 per share with 1,025,000 non-transferable warrants enabling the holder to purchase up to 512,500 shares at a price of \$0.20 per share for a one-year period.



British Columbia Securities Commission

**QUARTERLY AND YEAR END REPORT**  
 BC FORM 51-901F  
 (previously Form 61)

**Freedom of Information and Protection of Privacy Act:** The personal information requested on this form is collected under the authority of and used for the purpose of administering the *Securities Act*. Questions about the collection or use of this information can be directed to the Supervisor, Financial Reporting (604-899-6729), PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver BC V7Y 1L2. Toll Free in British Columbia 1-800-373-6393

<b>ISSUER DETAILS</b>			FOR QUARTER ENDED			DATE OF REPORT		
<small>NAME OF ISSUER</small>			Y			M		
SOUTHERN RIO RESOURCES LTD.			02   02   28			02   04   10		
<small>ISSUER ADDRESS</small>								
1410 – 650 WEST GEORGIA STREET, PO BOX 11584								
<small>CITY/</small>		<small>PROVINCE</small>		<small>POSTAL CODE</small>		<small>ISSUER FAX NO.</small>		<small>ISSUER TELEPHONE NO.</small>
VANCOUVER		BC		V6B 4N8		604-408-0489		604-687-3959
<small>CONTACT PERSON</small>				<small>CONTACT'S POSITION</small>				<small>CONTACT TELEPHONE NO.</small>
LINDSAY BOTTOMER				PRESIDENT				604-687-3959
<small>CONTACT EMAIL ADDRESS</small>				<small>WEB SITE ADDRESS</small>				
<a href="mailto:info@southernrio.com">info@southernrio.com</a>				<a href="http://www.southernrio.com">www.southernrio.com</a>				

**CERTIFICATE**

*The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.*

<small>DIRECTOR'S SIGNATURE</small>		<small>PRINT FULL NAME</small>		<small>DATE SIGNED</small>		
"LINDSAY BOTTOMER"		LINDSAY BOTTOMER		Y   M   D		
02		06		07		
<small>DIRECTOR'S SIGNATURE</small>		<small>PRINT FULL NAME</small>		<small>DATE SIGNED</small>		
"RANDY TURNER"		RANDY TURNER		Y   M   D		
02		06		07		

**SOUTHERN RIO RESOURCES LTD.**  
**QUARTERLY AND YEAR END REPORT - FORM 51-901F**  
**FEBRUARY 28, 2002**

**SCHEDULE A: FINANCIAL INFORMATION**

See attached audited consolidated financial statements for the year ended February 28, 2002.

**SCHEDULE B: SUPPLEMENTARY INFORMATION**

1. Analysis of expenses and deferred costs:

See attached audited consolidated financial statements for the year ended February 28, 2002.

2. Related party transactions: See Note 6 of the attached audited consolidated financial statements.

3. Summary of securities issued and options granted during the period:

- a) Summary of securities issued during the period:

Date	Type of Security	Type of Issue	Number of Shares	Price	Amount	Consideration	Commissions Paid
April 12, 2001	Common shares	Options exercised	300,000	\$ 0.15	\$ 45,000	Cash	\$ Nil
May 24, 2001	Common shares	Private placement	2,750,000	0.15	467,500	Cash	Nil
May 24, 2001	Common shares	Finder's fee	110,000	0.17	18,700	Agreed value	Nil
November 26, 2001	Common shares	Property payment	200,000	0.10	20,000	Property	Nil
December 13, 2001	Common shares	Property payment	10,000	0.10	1,000	Property	Nil

- b) Summary of options granted during the period:

Date	Optionee	Number of Options	Exercise Price	Expiry Date
June 4, 2001	John McDonald	350,000	\$ 0.15	June 4, 2006
June 4, 2001	Lindsay Bottomer	300,000	0.15	June 4, 2006
June 4, 2001	Employees	100,000	0.15	June 4, 2006
February 28, 2002	Employees	50,000	0.15	February 28, 2007

4. As at the end of the reporting period:

- a) Authorized capital stock: 50,000,000 common shares without par value

- b) Shares issued and outstanding:

	Number of Shares	Amount
Balance, February 28, 2002	22,076,514	\$ 8,215,626

**SCHEDULE B: SUPPLEMENTARY INFORMATION (cont'd...)**

4. c) Options, warrants and convertible securities outstanding: See Note 8 in the attached audited financial statements.
- d) Number of escrow shares: 163,500 common shares
5. List of Directors and Officers: Lindsay Bottomer – President, CEO and Director  
Randy Turner – Director  
Wayne Beach – Director  
John McDonald – Director  
Simon Ridgway – Director  
Graham Scott – Secretary

**SCHEDULE C: MANAGEMENT DISCUSSION**

**Discussion of Operations and Financial Condition**

The Company's general and administrative expenses for the period ended February 28, 2002 were \$318,578 compared to \$275,620 for the same period in 2001.

Net loss for period ending February 28, 2002 was \$2,029,283 or \$0.10 per share compared to a net loss of \$1,788,554 or \$0.11 per share for the same period in 2001. This increase is due to the Company's decision to abandon operations in Chile.

The acquisition and exploration costs associated with the Patagonia and Santo Tomas properties have been written off decreasing the Company's mineral properties and deferred exploration to \$66,461 at February 28, 2002 compared to \$1,874,737 as at February 28, 2001.

A decrease in accounts payable of \$152,681 and the decrease in amounts due to related parties of \$123,680 resulted in a decreased working capital deficit (\$ 142,353 at February 28, 2002 compared to \$415,068 at February 28, 2001).

**President's Message**

The past year has been one of considerable change for the Company. At the annual general meeting in July 2001 I was elected President, taking over from interim president John McDonald. At that time, following discussions with the other directors and taking into account the improving regulatory and investment climate for junior companies, it was agreed to redirect most of the Company's activities away from South America where the Company had been involved for most of the last decade, to Canada. At the same time, a decision was made to focus new property acquisition efforts towards gold situations, given the favorable underlying fundamentals of the gold market compared to other commodities. Subsequent events have largely vindicated both of these decisions.

Commencing in September 2001, the Company acquired six new Canadian properties located in three separate geographic areas. Four properties are located in British Columbia, with the other two in Ontario. On five of these properties, the main commodity of interest is gold, while on the sixth it is copper.

**SCHEDULE C: MANAGEMENT DISCUSSION** (cont'd...)

**President's Message** (cont'd...)

The **3T's Project**, consisting of the **Tam, Taken** and **Tsacha** properties located in central British Columbia is currently considered the Company's flagship Project, and will be the focus of a significant work program during the upcoming summer with diamond drilling planned for August/September of this year. The properties, in which Southern Rio owns or has the option to earn a 100% interest, together cover approximately 3,400 hectares (34 square kilometres), including the entire known extent of the Nechako epithermal gold camp. Ten mineralized quartz veins are currently known, but the potential for discoveries of more veins is high given the brief exploration history of the area (the initial discovery was made in 1993) and extensive cover of glacial till. This style of mineralization is well-documented and very productive throughout the Pacific "Rim of Fire" and includes important precious metal deposits such as the El Penon Mine in Chile, the Midas Mine in Nevada, and the Hishikari Mine in Japan, all of which contain high grade bonanza-type gold-silver mineralization.

The **Minnitaki Project**, consisting of the **Tak** and **Bond & Johnson** properties located in northwestern Ontario will also be drilled during the upcoming summer months. Southern Rio has optioned a total of 4,000 hectares covering a 15km strike extent of the under-explored Minnitaki Lake greenstone volcanic belt near the town of Sioux Lookout. The main target of the planned exploration program is gold mineralization associated with a felsic intrusive rock unit which cuts the volcanic rocks and hosts extensive low-moderate grade gold values. The setting is similar to that of the McIntyre Mine in Timmins, one of Ontario's largest past producers.

Recently, the Company announced that it has optioned a 50% interest in the Minnitaki Project to Wheaton River Minerals Ltd., who will fund a minimum \$200,000 work program during 2002.

The **Duke** property is located near Merritt, British Columbia, and 35km from the Highland Valley Copper Mine, the second largest in North America. The main commodity target here is copper, with the potential for additional gold credits. Southern Rio owns a 100% interest in the property, and plans a small surface program in 2002.

In addition to the above projects, management is actively seeking additional Canadian properties. Our primary focus is on precious metal opportunities in areas with established infrastructure.

In conclusion, I would like to thank all shareholders and the directors for their support over the past twelve months. The last few years have been difficult for the entire junior mining sector, but as a result of the actions we have taken, in particular the acquisition of several excellent Canadian properties ahead of the market turnaround, I believe the Company is now well positioned to capitalize on the recent surge in precious metal prices and improved investor sentiment.

I would also like to welcome Wayne Beach who recently joined the board of directors along side Randy Turner, John McDonald, Simon Ridgway and myself.

**Lindsay R. Bottomer**