

# QUARTERLY AND YEAR END REPORT

FORM 51-901F

British Columbia Securities Commission

<b>ISSUER DETAILS</b>			
NAME OF ISSUER	TELEPHONE NO.	FOR QUARTER ENDED	DATE OF REPORT (YY-MM-DD)
<b>SOUTHERN RIO RESOURCES LTD.</b>	604.687.3959	May 31, 2002	02-07-09
ISSUER'S ADDRESS		CITY, PROVINCE	POSTAL CODE
1410 – 650 West Georgia Street		Vancouver, British Columbia	V6B 4N8
CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.	
Lindsay R. Bottomer	President	604.687.3959	
CONTACT E-MAIL ADDRESS	WEBSITE ADDRESS		
<a href="mailto:info@southernrio.com">info@southernrio.com</a>	<a href="http://www.southernrio.com">www.southernrio.com</a>		

## **CERTIFICATE**

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

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
<i>"Lindsay R. Bottomer"</i>	Lindsay R. Bottomer	02-07-26
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
<i>"Randy C. Turner"</i>	Randy C. Turner	02-07-26

# **Southern Rio Resources Ltd.**

Consolidated Financial Statements  
(Unaudited)

as at May 31, 2002

## **NOTICE TO READER**

The Consolidated Balance Sheets of Southern Rio Resources Ltd. as at May 31, 2002 and the Consolidated Statement of Operations and Deficit and the Consolidated Changes in Financial Position for the three month period then ended have been compiled by Management. They have not been audited, reviewed or otherwise verified as to the accuracy or completeness of information. Readers are cautioned that these statements may not be appropriate for their purposes.

**SOUTHERN RIO RESOURCES LTD.**  
**Consolidated Balance Sheets**

**ASSETS**

	<u>May 31</u> <u>2002</u>	<u>February 28</u> <u>2002</u>
<b>Current Assets</b>		
Cash	180,111	23,713
Accounts receivable	67,812	62,898
Marketable securities	10,000	10,000
Prepaid expenses	3,000	2,000
	<u>260,923</u>	<u>98,611</u>
<b>Capital Assets (Note 3)</b>	11,376	11,376
<b>Mineral properties (Note 4)</b>	78,360	43,600
<b>Deferred exploration (Note 5)</b>	<u>38,822</u>	<u>22,861</u>
	<u>389,481</u>	<u>176,448</u>

**LIABILITIES**

<b>Current liabilities</b>		
Accounts payable and accrued liabilities	70,880	79,929
Due to related parties (Note 6)	<u>161,035</u>	<u>161,035</u>
	231,915	240,964

**SHAREHOLDERS' EQUITY**

<b>Share capital (Note 7)</b>	8,505,793	8,215,626
Cumulative translation adjustment	2,048	2,048
<b>Earnings (deficit)</b>	<u>(8,350,275)</u>	<u>(8,282,190)</u>
	<u>157,566</u>	<u>(64,516)</u>
	<u>389,481</u>	<u>176,448</u>

On behalf of the Board:

"Lindsay R. Bottomer"  
Lindsay R. Bottomer, Director

"Randy C. Turner"  
Randy C. Turner, Director

**SOUTHERN RIO RESOURCES LTD.**  
**Consolidated Statement of Operations and Deficit**

	<b>Three Month Period Ended May 31 2002</b>	<b>Three Month Period Ended May 31 2001</b>
<b>Expenses</b>		
Bank charges and interest	206	493
Amortization	-	130
Advertising & media services	3,229	3,246
Courier and postage	9	279
Legal, audit and accounting	9,071	31,630
Office and miscellaneous expenses	2,463	2,451
Management	22,500	-
Regulatory and transfer agent fees	7,687	5,248
Rent	4,500	4,000
Travel	5,952	658
Wages and benefits	12,420	31,342
Printing	154	1,474
	<u>68,191</u>	<u>80,951</u>
<b>Interest Income</b>	<u>105</u>	<u>1,883</u>
<b>Net loss for the period</b>	68,085	79,068
<b>Deficit, beginning of the period</b>	<u>8,282,190</u>	<u>6,252,908</u>
<b>Deficit, end of the period</b>	<u><u>8,350,275</u></u>	<u><u>6,331,976</u></u>
<b>Loss per share:</b>	<u><u>0.01</u></u>	<u><u>0.01</u></u>
<b>Weighted average number of common shares outstanding</b>	23,046,306	19,006,514

Unaudited - prepared by management  
The accompanying notes are an integral part of these financial statements.

**SOUTHERN RIO RESOURCES LTD.**  
**Consolidated Statement of Changes in Financial Position**

	<b>Three Month Period Ended May 31 2002</b>	<b>Three Month Period Ended May 31 2001</b>
<b>Cash provided by (used in)</b>		
<b>Operating Activities</b>		
Loss for the period	(68,085)	(79,068)
Amortization		
Changes in non-cash working capital items		
(Increase) decrease in pre-paid expenses	(1,000)	(153,345)
(Increase) decrease in accounts receivable	(4,914)	12,507
Increase (decrease) in accounts payable	(9,049)	291,525
	<u>(83,048)</u>	<u>71,619</u>
<b>Financing Activities</b>		
Cumulative translation adjustment	-	55,731
Issue of shares	290,167	493,800
Related party transactions	-	(123,680)
	<u>290,167</u>	<u>425,851</u>
<b>Investing Activities</b>		
(Acquisition) disposition of capital assets	-	-
(Acquisition) disposition of mineral properties	(34,760)	
Deferred exploration costs	(15,961)	(195,595)
	<u>(50,721)</u>	<u>(195,595)</u>
<b>Increase (decrease) in cash</b>	156,398	301,875
<b>Cash, beginning of the period</b>	<u>23,713</u>	<u>50,283</u>
<b>Cash, end of the period</b>	<u><u>180,111</u></u>	<u><u>352,158</u></u>

Unaudited - prepared by management  
The accompanying notes are an integral part of these financial statements.

## SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - May 31, 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.

	For the period ended May 31, 2002	For the year ended February 28, 2002
Deficit	\$(8,350,275)	\$(8,282,190)
Working capital (deficiency)	29,008	(142,353)

### 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.

## **SOUTHERN RIO RESOURCES LTD.**

**Notes to the Consolidated Financial Statements - May 31, 2002**

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Marketable securities**

Marketable securities are recorded at the lower of cost or market value. The market value of marketable securities at May 31, 2002 is \$23,000.

#### **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.

## SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - May 31, 2002

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

### 3. CAPITAL ASSETS

		2002			2001	
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$17,560	\$6,184	\$11,376	\$37,319	\$17,809	\$19,510

## SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - May 31, 2002

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### 4. MINERAL PROPERTIES

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

The Company holds interests in various mineral claims as follows:

	2002	2001
<b>Santo Tomas Property, Chile</b>		
An option to acquire a 100% interest. The Company paid US\$25,000 and issued 50,000 common shares at an agreed value of \$10,500.		
In fiscal 2001, the Company subsequently granted an option whereby the optionee could earn up to a 55% interest in the property by paying US\$125,000, of which \$76,290 was paid resulting in a gain of \$28,488. Accordingly, as at February 28, 2001, the mineral property was recorded at a nominal value of \$1.		
As consideration of committing to incur exploration expenditures, the optionee may also be granted up to 4,000,000 share purchase warrants to acquire additional common shares of the Company, of which 2,000,000 warrants were issued in fiscal 2001 and are currently outstanding.		
During the past year, the Company abandoned all claims and accordingly mineral properties of \$1 and the remaining related deferred exploration costs of \$113,117 were written-off to operations.	-	1
<b>Patagonia property, Chile and Argentina</b>		
A 100% interest, 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 past 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>		
A 100% interest, subject to a 1% net smelter return royalty.	7,330	-

- continued -

## SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - May 31, 2002

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### 4. MINERAL PROPERTIES (continued)

#### **Minnitaki property, Ontario, Canada**

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 -

#### **Duke property, British Columbia, Canada**

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 -

#### **Taken property, British Columbia, Canada**

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%.

4,000 -

#### **Tsacha property, British Columbia, Canada**

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.

16,630 -

#### **Bond & Johnson property, Ontario, Canada**

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.

12,500 -

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\$78,360    \$748,704

**SOUTHERN RIO RESOURCES LTD.****Notes to the Consolidated Financial Statements - May 31, 2002****5. DEFERRED EXPLORATION COSTS**

	Tam Property	Minnitaki Property	Duke Property	Taken Property	Tsacha Property	Other	Total
Balance, beginning of year	\$8,791	\$5,306	\$2,198	\$ -	\$ -	\$6,566	\$22,861
Geology	1,368	323	81	690	3,476	4,454	10,392
Geophysics - Air							
Geophysics - Ground							
Geochemistry							
Drilling							
Land Retention	1,604				1,604		3,208
Land Use/Permitting							
Environmental							
Data Evaluation	270			405	1,686		2,360
Total deferred costs for the period	3,242	323	81	1,095	6,766	4,454	15,961
Balance, end of period	12,033	5,629	2,279	1,095	6,766	11,020	38,822

**6. RELATED PARTY TRANSACTIONS**

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

- a) Paid or accrued \$10,500 (2001 - \$9,000) for administration fees to a company controlled by a director.
- b) Paid or accrued \$4,500 (2001 - \$4,000) for rent to a company controlled by a director.
- c) Paid or accrued \$3,244 (2001 - \$31,630) for professional services to a law firm in which an officer of the Company is a partner.
- d) Paid or accrued \$22,500 (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.

## SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - May 31, 2002

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### 7. CAPITAL STOCK

	Number of Shares	Amount
Authorized 50,000,000 common shares without par value		
Issued		
As at February 28, 2002	22,076,514	\$8,215,626
For warrants exercised	24,584	\$4,917
For options exercised	700,000	\$105,000
For cash – private placement	1,025,000	\$153,750
For mineral property option	190,000	\$26,500
As at May 31, 2002	24,016,098	\$8,505,793

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

### 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 May 31, 2002:

Number of Shares	Exercise Price	Expiry Date
200,000	\$ 0.15	November 24, 2003
400,000	0.15	June 16, 2005
450,000	0.15	June 4, 2006
50,000	0.15	February 28, 2007
1,100,000	0.20	May 15, 2007

#### Warrants

As at May 31, 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
2,785,416	0.20	May 24, 2003
512,500	0.20	April 24, 2003

## **SOUTHERN RIO RESOURCES LTD.**

**Notes to the Consolidated Financial Statements - May 31, 2002**

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### **9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the period ended May 31, 2002 include:

- a) The issuance of 40,000 common shares, with an agreed value of \$4,000, as consideration towards the acquisition of the Taken Property in British Columbia (Note 4).
- b) The issuance of 100,000 common shares, with an agreed value of \$15,000, as consideration towards the acquisition of the Tsacha Property in British Columbia (Note 4.)
- c) The issuance of 50,000 common shares, with an agreed value of \$7,500 as consideration towards the acquisition of the Bond & Johnson Property in Ontario (Note 4).

### **11. SUBSEQUENT EVENTS**

The following events occurred subsequent to May 31, 2002:

- a) Appointed that Mr. Wayne Beach, a partner in the Toronto law firm of Beach, Hepburn, to the Board of Directors.
- b) Announced a proposed private placement of 2,000,000 flow-through common shares at \$0.25 per share and the proposed issuance of 300,000 warrants exercisable for a period of 12 months at a price \$0.30 per share, and a 7.5% finders' fee payable in cash in connection with this transaction. This transaction is subject to regulatory acceptance.
- c) Entered into an option agreement with Wheaton River Minerals Ltd. ("Wheaton River") whereby Wheaton River may earn up to a 50% interest in Company's Minnitaki property in Ontario by funding exploration expenditures totaling \$750,000 by September 15, 2004.
- d) Granted stock options enabling directors and employees to acquire up to 1,100,000 common shares at \$0.20 per share until May 15, 2007.

# QUARTERLY AND YEAR END REPORT

FORM 51-901F

British Columbia Securities Commission

<b>ISSUER DETAILS</b>	NAME OF ISSUER	TELEPHONE NO.	FOR QUARTER ENDED	DATE OF REPORT (YY-MM-DD)
	<b>SOUTHERN RIO RESOURCES LTD.</b>	604.687.3959	May 31, 2002	02-07-09
ISSUER'S ADDRESS	CITY, PROVINCE		POSTAL CODE	
	1410 – 650 West Georgia Street Vancouver, British Columbia		V6B 4N8	
CONTACT PERSON	CONTACT'S POSITION		CONTACT TELEPHONE NO.	
	Lindsay R. Bottomer		President	
			604.687.3959	
CONTACT E-MAIL ADDRESS	WEBSITE ADDRESS			
	<a href="mailto:info@southernrio.com">info@southernrio.com</a>			
	<a href="http://www.southernrio.com">www.southernrio.com</a>			

## **CERTIFICATE**

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

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
<i>"Lindsay R. Bottomer"</i>	Lindsay R. Bottomer	02-07-26
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
<i>"Randy C. Turner"</i>	Randy C. Turner	02-07-26

# QUARTERLY AND YEAR END REPORT

FORM 51-901F

Southern Rio Resources Ltd. - May 31, 2002

## SCHEDULE B - Supplementary Information

### 1. Analysis of expenses and deferred costs for the current fiscal year to date:

Refer to Schedule A Financial Statements – Statement of Operations and Deficit for details of expenses and Statement of Deferred Exploration Costs for expenditures made on property investigation, exploration and development during this period.

### 2. Related Party Transactions:

Refer to Note 6 of Schedule A - Consolidated Financial Statements.

### 3. For the quarter under review:

a) Summary of securities issued during the quarter:

Date of Issue	Type of Security	Type of Issue	Price Per Share	No. of Shares	Proceeds	Type of Consideration	Commission
Mar 01	Common Shares	Exercise of Option	\$0.15	300,000	\$45,000	Cash	Nil
Mar 27	Common Shares	Property Payment	\$0.10	40,000	\$4,000	Nil	Nil
Apr 17	Common Shares	Property Payment	\$0.15	150,000	\$22,500	Nil	Nil
Apr 24	Common Shares	Private Placement	\$0.15	1,025,000	\$153,750	Cash	Nil
May 17	Common Shares	Exercise of Option	\$0.15	100,000	\$15,000	Cash	Nil
May 27	Common Shares	Exercise of Option	\$0.15	300,000	\$45,000	Cash	Nil
May 28	Common Shares	Exercise of Warrant	\$0.20	24,584	\$4,917	Cash	Nil

b) Summary of options granted during the quarter:

Date of Grant	Number of Shares	Name of Optionee	Exercise Price	Expiry Date
May 15, 2002	300,000	Lindsay Bottomer	\$ 0.20	May 15, 2007
May 15, 2002	250,000	Randy Turner	\$ 0.20	May 15, 2007
May 15, 2002	150,000	John McDonald	\$ 0.20	May 15, 2007
May 15, 2002	150,000	Wayne Beach	\$ 0.20	May 15, 2007
May 15, 2002	100,000	Graham Scott	\$ 0.20	May 15, 2007
May 15, 2002	150,000	Employees	\$ 0.20	May 15, 2007

# QUARTERLY AND YEAR END REPORT

FORM 51-901F

Southern Rio Resources Ltd. - May 31, 2002

## SCHEDULE B - Supplementary Information

### 4. As at the end of the quarter:

- a) Refer to Note 7 of Schedule A - Consolidated Financial Statements for a summary of authorized capital
- b) Refer to Note 8 of Schedule A - Consolidated Financial Statements for a summary of outstanding options, warrants and convertible securities
- c) Shares in Escrow: **163,500**

### 5. List of Officers and Directors as at the date this report was signed and filed:

#### *Officers*

Lindsay R. Bottomer, President  
Randy C. Turner, CFO  
Graham Scott, Secretary

#### *Directors*

Lindsay R. Bottomer  
Randy C. Turner  
Simon Ridgway  
John A. McDonald  
Wayne G. Beach

# QUARTERLY AND YEAR END REPORT

FORM 51-901F

Southern Rio Resources Ltd. - May 31, 2002

## SCHEDULE C - Management Discussion

### Discussion of Operations and Financial Condition:

For the three month period ended May 31, 2002, the Company had a net loss of \$68,085 or \$0.01 per share compared with the loss of \$79,068 or \$0.01 per share for the corresponding period. The Company has working capital of \$29,008 compared with a deficit of \$142,353 at February 28, 2002.

The Company incurred deferred exploration expenditures of \$15,961 during this period compared with \$195,595 during the same period in 2001. This decrease is due to the ceasing of all exploration expenditures associated with the Santo Tomas property in Chile.

The Company had general and administrative expenses of \$68,191 as at May 31, 2002 compared to \$80,951 during the same period in 2001.

There were no investor relations activities undertaken by the Company during the quarter, nor were there any investor relations arrangement or contracts entered into during the quarter.

### President's Message:

During the three months to May 31<sup>st</sup> the Company continued to add to its portfolio of gold properties in Canada, as well as strengthening its financial position and adding a new director to the board. With the approach of the summer field season, management anticipates that the renewed interest in quality gold exploration plays will benefit the company and its shareholders. Field work on both the Minnitaki and 3Ts Projects will commence early in the second quarter.

### 3Ts Project, Central BC (Gold-silver)

During the quarter, the Company added two new and very significant properties to its holdings in the Nechako Region of Central British Columbia. The Company has been granted an option to acquire a 100% interest in the 500 hectare **Taken Property**, located immediately east of the Company's Tam Property, from Phelps Dodge Corporation of Canada. This property has not received any drilling to date, but initial surface sampling by Phelps Dodge has identified four areas of quartz vein float with values returning up to 19.2 grams per tonne of gold and greater than 100 grams per tonne of silver. The surface geology is very similar to that of the adjacent Tam Property, where several gold and silver-bearing epithermal quartz veins outcrop. One of these, the Ted Vein, returned an intersection of 22 metres (estimated true width 6.5 metres) grading 8.9 g/t gold and 394 g/t silver from drilling in 1996 by Phelps Dodge.

In addition to the Taken acquisition, the Company has negotiated an option to acquire a 100% interest in the **Tsacha Property** from Teck Cominco Limited. The Tsacha Property is contiguous with the Tam and Taken Properties, and in total the Company now owns or has the option to earn a 100% interest in 2950 hectares in the Nechako gold-silver camp. Since 1993, ten mineralized quartz vein systems have been discovered on the Tsacha and Tam Properties, several of which have returned potential ore grade intercepts from drilling.

Southern Rio is currently compiling data from all three properties and will be carrying out further surface exploration work during the summer, taking advantage of the excellent access provided by recent forestry road development in the region. This work will be followed by drilling in late summer or fall aimed at both expanding the known mineralization at Tam and Tsacha, and testing new targets on all three properties.

# QUARTERLY AND YEAR END REPORT

FORM 51-901F

Southern Rio Resources Ltd. - May 31, 2002

## SCHEDULE C - Management Discussion

### **Minnitaki Project, Northwestern Ontario (Gold)**

During the quarter, the Company concluded an option agreement to acquire a 100% interest in the **Bond & Johnson claims** which are contiguous with the **Tak Property** in the Sioux Lookout area of Ontario. Collectively, the Company now has options to earn a 90 or 100% interest in 4,000 hectares covering a 15 kilometre long portion of the Minnitaki Greenstone Belt, which hosts a number of gold occurrences in a geological setting similar to that of the prolific Red Lake Belt to the northwest. The Company is in advanced negotiations with several potential joint venture partners who would fund further exploration of the project.

On April 30<sup>th</sup> the Company completed a non-brokered private placement to issue a total of 1,025,000 shares at a price of \$0.15 per share, raising \$153,750. In May, the Company's Board of Directors was strengthened with the addition of Mr. Wayne Beach. Mr. Beach is a Toronto-based mining lawyer who has had a long and successful association with the mining industry. His addition to the Board will greatly strengthen Southern Rio's presence in Eastern Canada.

#### **Financings, Principal Purposes and Milestones:**

There were no material differences in the actual use of proceeds from the previous disclosure by the Company.

#### **Risks:**

The success of the Company's business is subject to a number of factors including but not limited to those risks normally encountered in the mining industry such as operating hazards, exploration uncertainty, increasing environmental regulation, competition with Companies having greater resources, lack of operating cash flow, and foreign currency fluctuations.

The Company has no operating income and no earnings; exploration and operating activities are financed by the sale of common shares. None of the Company's properties are in production. Consequently, the Company's net income is not a meaningful indicator of its performance or potential.

#### **Cautionary Statements:**

Statements and/or financial forecasts which are unaudited and not historical are to be regarded as forward-looking statements which are subject to risks and uncertainties that cause actual results to differ materially. Such risks and uncertainties include risks related to the Company's business including but not limited to: general economic conditions, limited operating history, continued industry and public acceptance, regulatory compliance, potential liability claims, further capital requirements and uncertainty of obtaining additional required funding, and dependence on key personnel as well as general market and economic conditions and therefore actual results may differ materially. These forward-looking statements should not be reprinted, reiterated nor considered an inducement for investment.