

QUARTERLY AND YEAR END REPORT
FORM 51-901F

British Columbia Securities Commission

ISSUER DETAILS			
NAME OF ISSUER	TELEPHONE NO.	FOR QUARTER ENDED	DATE OF REPORT (YY-MM-DD)
SOUTHERN RIO RESOURCES LTD.	604.687.3959	August 31, 2002	02-09-20
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	
info@southernrio.com		www.southernrio.com	

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	02-10-15
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
<i>"Randy C. Turner"</i>	Randy C. Turner	02-10-15

Southern Rio Resources Ltd.

Consolidated Financial Statements
(Unaudited)

as at August 31, 2002

NOTICE TO READER

The Consolidated Balance Sheets of Southern Rio Resources Ltd. as at August 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

	August 31	February 28
	2002	2002
Current Assets		
Cash	276,943	23,713
Accounts receivable	73,742	62,898
Marketable securities	10,000	10,000
Prepaid expenses	3,000	2,000
	<u>363,686</u>	<u>98,611</u>
Capital Assets (Note 3)	11,376	11,376
Mineral properties (Note 4)	81,549	43,600
Deferred exploration (Note 5)	184,579	22,861
	<u>641,189</u>	<u>176,448</u>

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	205,712	79,929
Due to related parties (Note 6)	161,035	161,035
	<u>366,747</u>	<u>240,964</u>

SHAREHOLDERS' EQUITY

Share capital (Note 7)	8,701,592	8,215,626
Cumulative translation adjustment	2,048	2,048
Earnings (deficit)	(8,429,198)	(8,282,190)
	<u>274,442</u>	<u>(64,516)</u>
	<u>641,189</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

	Three Month Period Ended August 31 2002	Three Month Period Ended August 31 2001	Six Month Period Ended August 31 2002	Six Month Period Ended August 31 2001
Expenses				
Bank charges and interest	203	4,096	409	4,589
Amortization	-	158	-	288
Advertising & media services	3,325	1,715	6,554	4,961
Courier and postage	1,711	1,963	1,720	2,242
Legal, audit and accounting	22,692	37,686	31,763	69,316
Office and miscellaneous expenses	1,711	5,905	4,173	8,357
Management	25,150	5,600	47,650	5,600
Regulatory and transfer agent fees	6,711	7,403	14,398	12,651
Rent	4,500	4,500	9,000	8,500
Travel	157	458	6,109	1,116
Wages and benefits	12,058	32,984	24,478	64,326
Printing	1,268	2,740	1,422	4,214
	<u>79,486</u>	<u>105,208</u>	<u>147,676</u>	<u>186,160</u>
Interest Income	<u>563</u>	<u>1,502</u>	<u>668</u>	<u>3,386</u>
Net loss for the period	78,923	103,706	147,008	182,774
Deficit, beginning of the period	<u>8,350,275</u>	<u>6,331,976</u>	<u>8,282,190</u>	<u>6,252,908</u>
Deficit, end of the period	<u>8,429,198</u>	<u>6,435,682</u>	<u>8,429,198</u>	<u>6,435,682</u>
Loss per share:	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
Weighted average number of common shares outstanding	24,443,098	21,866,514	23,473,306	20,286,514

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

	Three Month Period Ended August 31 2002	Three Month Period Ended August 31 2001	Six Month Period Ended August 31 2002	Six Month Period Ended August 31 2001
Cash provided by (used in)				
Operating Activities				
Loss for the period	(78,923)	(103,706)	(147,008)	(182,774)
Amortization		288		288
Changes in non-cash working capital items				
(Increase) decrease in pre-paid expenses	-	147,310	(1,000)	(6,035)
(Increase) decrease in accounts receivable	(5,930)	16,658	(10,844)	29,165
Increase (decrease) in accounts payable	134,832	(221,477)	125,783	70,048
	49,979	(160,927)	(33,069)	(89,308)
Financing Activities				
Cumulative translation adjustment	-	27,873	-	83,604
Issue of shares	195,799	-	485,966	493,800
Related party transactions	-	-	-	(123,680)
	195,799	27,873	485,966	453,724
Investing Activities				
(Acquisition) disposition of capital assets	-	(5,797)	-	(5,797)
(Acquisition) disposition of mineral properties	(3,189)	-	(37,949)	-
Recovered exploration expenditures	142,743		142,743	
(Deferred) exploration expenditures	(288,500)	(28,900)	(304,461)	(224,495)
	(148,946)	(34,697)	(199,667)	(230,292)
Increase (decrease) in cash	96,832	(167,751)	253,230	134,124
Cash, beginning of the period	180,111	352,158	23,713	50,283
Cash, end of the period	276,943	184,407	276,943	184,407

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 - August 31, 2002

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 August 31, 2002	For the year ended February 28, 2002
Deficit	\$(8,429,198)	\$(8,282,190)
Working capital (deficiency)	(3,061)	(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 - August 31, 2002

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 August 31, 2002 is \$19,000.

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 - August 31, 2002

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 - August 31, 2002

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
Santo Tomas Property, Chile		
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
Patagonia property, Chile and Argentina		
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
Tam property, British Columbia, Canada		
A 100% interest, subject to a 1% net smelter return royalty.	7,330	-

- continued -

SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - August 31, 2002

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 -

Sam property, British Columbia, Canada

A 100% interest.

3,189 -

\$81,549 \$748,704

SOUTHERN RIO RESOURCES LTD.**Notes to the Consolidated Financial Statements - August 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	2,045	323	81	2,159	22,330	15,661	42,600
Geophysics - Air	480			479	479		
Geophysics - Ground	9,066			6,750	26,581		
Field Sampling				180	270	655	
Drilling		157,701					
Land Retention	1,604				1,604		3,208
Land Use/Permitting					149		
Environmental							
Data Evaluation	12,457			11,640	31,134	631	55,862
Total deferred costs for the period	25,652	158,024	81	21,209	82,548	16,947	304,461
Less: Costs Recoverable		(142,743)					(142,743)
Balance, end of period	34,443	20,587	2,279	21,209	82,548	23,513	184,579

6. RELATED PARTY TRANSACTIONS

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

- a) Paid or accrued \$21,000 (2001 - \$19,500) for administration fees to a company controlled by a director.
- b) Paid or accrued \$9,000 (2001 - \$8,500) for rent to a company controlled by a director.
- c) Paid or accrued \$9,875 (2001 - \$66,566) for professional services to a law firm in which an officer of the Company is a partner.
- d) Paid or accrued \$47,650 (2001 - \$5,600) 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 - August 31, 2002

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
Cost to issue shares	-	(\$15,000)
For warrants exercised	78,584	\$15,717
For options exercised	700,000	\$105,000
For cash – private placement	1,825,000	\$353,750
For mineral property option	<u>190,000</u>	<u>\$26,500</u>
As at August 31, 2002	24,870,098	\$8,701,593

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 August 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

SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - August 31, 2002

Warrants

As at August 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
2,781,416	0.20	May 24, 2003
512,500	0.20	April 24, 2003
120,000	0.30	July 25, 2003

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

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

- a) Entered into a letter agreement to earn a 100% interest, subject to a 2.5% NSR, in the Dani Property located near Kitimat, British Columbia.
- b) Announced a proposed non-brokered private placement of up to 700,000 flow-through units at a price of \$0.17 per unit. Each unit will consist of one flow-through common share and one-tenth (1/10) of one non-flow-through share purchase warrant. One whole warrant will entitle the holder to purchase one additional common share, for a period of 12 months, at a price of \$0.21 per share. A finders' fee of up to \$9,000.00 is payable in connection with this transaction. This transaction is subject to regulatory acceptance.

QUARTERLY AND YEAR END REPORT
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British Columbia Securities Commission

ISSUER DETAILS			
NAME OF ISSUER	TELEPHONE NO.	FOR QUARTER ENDED	DATE OF REPORT (YY-MM-DD)
SOUTHERN RIO RESOURCES LTD.	604.687.3959	August 31, 2002	02-09-20
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		
info@southernrio.com	www.southernrio.com		

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	02-10-15
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
<i>"Randy C. Turner"</i>	Randy C. Turner	02-10-15

QUARTERLY AND YEAR END REPORT

FORM 51-901F

Southern Rio Resources Ltd. - August 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
Jun 17	Common Shares	Exercise of Warrant	\$0.20	4,000	\$800	Cash	Nil
Jun 25	Common Shares	Exercise of Warrant	\$0.20	50,000	\$10,000	Cash	Nil
Jul 31	Common Shares	Private Placement	\$0.25	800,000	\$200,000	Cash	\$15,000

b) Summary of options granted during the quarter: **Nil**

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
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Southern Rio Resources Ltd. - August 31, 2002

SCHEDULE C - Management Discussion

Discussion of Operations and Financial Condition:

For the six month period ended August 31, 2002, the Company had a net loss of \$147,008 or \$0.01 per share compared with the loss of \$182,774 or \$0.01 per share for the corresponding period. The Company has a working capital deficit of \$3,061 compared with a deficit of \$142,353 at February 28, 2002.

The Company incurred deferred exploration expenditures of \$304,461 during this period compared with \$224,495 during the same period in 2001.

The Company had general and administrative expenses of \$147,676 as at August 31, 2002 compared to \$186,160 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:

The quarter was an active one for Southern Rio, with diamond drilling on the Minnitaki Project in northwestern Ontario and geological surveying, line-cutting and ground geophysical surveying on the 3Ts Project in central BC.

The diamond drilling on the Minnitaki Project located significant new mineralization almost 300 metres west of the known intersection from the 1999 Triex work. Hole #6, which tested this zone, returned a shallow intersection of 3.08 grams per tonne gold over 7.57 metres. Deeper in the same hole, a 1.1 metre interval grading 7.04 grams per tonne was also intersected. The final two holes of the current program have been sited to further test this new zone, and assay results are expected shortly. In total, the Minnitaki drilling consisted of eight diamond holes totaling 1209 metres. Funding was provided by Wheaton River Minerals Ltd. under a previously announced option agreement.

On the 3Ts epithermal gold-silver project in central BC, approximately 33 km of line-cutting and ground geophysical surveying was completed. In addition, geological reconnaissance work was carried out, mainly focusing on areas of new exposures created by recent logging activity. The geophysical work consisted of ground magnetic, resistivity and VLF-electromagnetic surveys. The results of this work are currently being assessed, and will help in prioritizing targets for the planned fall drilling program.

During the quarter, the Company announced that it had signed an agreement whereby it may earn a 100% interest in the Dani Property, near Kitimat, BC. The property covers a newly discovered polymetallic massive sulphide occurrence at the south end of the Ecstall Volcanic Belt. Two samples of massive sulphide boulders assayed 10.2% zinc, 5.7% lead, 203 grams per tonne silver and 1.26 grams per tonne gold, and 6.1% zinc, 1.9% lead, 71 grams per tonne silver and 1.26 grams per tonne gold. The massive sulphides occur as bands within a 50 – 100 metre wide schist zone, sampling of which has returned variably anomalous copper, gold and silver values. The property is a new discovery and at this early stage of exploration the extent and controls on mineralization are unclear, however the excellent grades and polymetallic nature of the mineralization are very encouraging. A more detailed field evaluation is planned later this season.

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Southern Rio Resources Ltd. - August 31, 2002

SCHEDULE C - Management Discussion

During the quarter, the Company announced that it had completed a non-brokered private placement for a total of 800,000 flow-through shares priced at \$0.25 per share. The proceeds will be used for further exploration on the Company's BC projects. After the end of the quarter, the Company announced a proposed non-brokered private placement of up to 700,000 flow-through shares priced at \$0.17 per share.

In the upcoming quarter, the major planned activity is a diamond drilling program on the 3Ts Project in central BC.

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.