

**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, 2003	03-07-09
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**

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	02-07-23
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
<i>"Randy C. Turner"</i>	Randy C. Turner	02-07-23

# **Southern Rio Resources Ltd.**

Consolidated Financial Statements  
(Unaudited)

as at May 31, 2003

## NOTICE TO READER

The Consolidated Balance Sheets of Southern Rio Resources Ltd. as at May 31, 2003 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>2003</u>	<u>February 28</u> <u>2003</u>
<b>Current Assets</b>		
Cash	149,914	266,879
Restricted cash (Note 11)	81,567	312,613
Accounts receivable	93,980	73,808
Marketable securities	10,000	10,000
Prepaid expenses	<u>2,000</u>	<u>2,000</u>
	337,461	665,300
<b>Reclamation deposit</b> (Note 3)	3,500	3,500
<b>Capital Assets</b> (Note 4)	7,864	7,864
<b>Mineral properties</b> (Note 5)	154,021	106,974
<b>Deferred exploration</b> (Note 6)	<u>846,434</u>	<u>615,389</u>
	<u>1,349,280</u>	<u>1,399,027</u>

**LIABILITIES**

<b>Current liabilities</b>		
Accounts payable and accrued liabilities	97,661	121,392
Due to related parties (Note 7)	<u>161,035</u>	<u>161,035</u>
	258,696	282,427

**SHAREHOLDERS' EQUITY**

<b>Share capital</b> (Note 8)	9,694,123	9,663,873
Contributed surplus (Note 12)	106,444	106,444
Cumulative translation adjustment	2,048	2,048
<b>Earnings (deficit)</b>	<u>(8,712,031)</u>	<u>(8,655,765)</u>
	<u>1,090,584</u>	<u>1,116,600</u>
	<u>1,349,280</u>	<u>1,399,027</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 2003</b>	<b>Three Month Period Ended May 31 2002</b>
<b>Expenses</b>		
Bank charges and interest	187	206
Amortization	-	-
Advertising & media services	6,500	3,229
Courier and postage	20	9
Legal, audit and accounting	8,313	9,071
Office and miscellaneous expenses	1,434	2,463
Management	14,700	22,500
Regulatory and transfer agent fees	4,649	7,687
Rent	4,500	4,500
Travel	4,520	5,952
Wages and benefits	12,250	12,420
Printing	640	154
	<u>57,714</u>	<u>68,191</u>
<b>Interest Income</b>	<u>1,448</u>	<u>105</u>
<b>Net loss for the period</b>	56,266	68,086
<b>Deficit, beginning of the period</b>	<u>8,655,765</u>	<u>8,282,190</u>
<b>Deficit, end of the period</b>	<u><u>8,712,031</u></u>	<u><u>8,350,276</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>	30,925,271	23,046,306

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 2003</b>	<b>Three Month Period Ended May 31 2002</b>
<b>Cash provided by (used in)</b>		
<b>Operating Activities</b>		
Loss for the period	(56,266)	(68,085)
Amortization		
Changes in non-cash working capital items		
(Increase) decrease in pre-paid expenses	-	(1,000)
(Increase) decrease in accounts receivable	(20,172)	(4,914)
Increase (decrease) in accounts payable	<u>(23,731)</u>	<u>(9,049)</u>
	(100,169)	(83,048)
<b>Financing Activities</b>		
Cumulative translation adjustment	-	-
Issue of shares	30,250	290,167
Related party transactions	<u>-</u>	<u>-</u>
	30,250	290,167
<b>Investing Activities</b>		
(Acquisition) disposition of capital assets	-	-
(Acquisition) disposition of mineral properties	(47,047)	(34,760)
Deferred exploration costs	<u>(231,045)</u>	<u>(15,961)</u>
	(278,092)	(50,721)
<b>Increase (decrease) in cash</b>	(348,011)	156,398
<b>Cash, beginning of the period</b>	<u>579,492</u>	<u>23,713</u>
<b>Cash, end of the period</b>	<u><u>231,481</u></u>	<u><u>180,111</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, 2003**

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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, 2003	For the year ended February 28, 2003
Deficit	\$(8,712,031)	\$(8,665,765)
Working capital (deficiency)	78,765	382,873

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Use of 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. All inter-company balances and transactions have been eliminated upon consolidation.

#### **Marketable securities**

Marketable securities are recorded at the lower of cost or market value. The market value of marketable securities at May 31, 2003 is \$13,500.

#### **Capital assets and amortization**

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

## **SOUTHERN RIO RESOURCES LTD.**

**Notes to the Consolidated Financial Statements - May 31, 2003**

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

#### **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 management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the assigned value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

#### **Deferred exploration costs**

The Company defers all exploration expenses relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized over the proven reserves available on the related property following commencement of production.

#### **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**

Liabilities related to environmental protection and rehabilitation costs are accrued and charged to income when their likelihood of occurrence is established. This includes future removal and site restoration costs as required due to environmental law or contracts.

#### **Foreign currency translation**

The Company's foreign subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in the statement of operations.

In fiscal 2001, the Company's foreign subsidiary was a self-sustaining foreign operation and was translated into Canadian dollars using the current rate method. Gains and losses arising from translation of the financial statements of the subsidiary are included as a separate component of shareholders equity.

## SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - May 31, 2003

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Stock-based compensation

Effective March 1, 2002, the Company adopted the new CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which recommends the fair value-based methodology for measuring compensation costs. The new section also permits, and the Company has adopted, the use of the intrinsic value-based method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at date of grant, but requires pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted. Any consideration paid by the option holders to purchase shares 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. For the years presented, this calculation proved to be anti-dilutive.

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

#### 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.

#### Comparative figures

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

### 3. RECLAMATION DEPOSIT

The Company is responsible for certain reclamation relating to its mineral properties. As at May 31, 2003, a total of \$3,500 (2002 - \$Nil) had been lodged with the British Columbia Ministry of Energy and Mines.

### 4. CAPITAL ASSETS

	2003			2002		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$17,560	\$9,696	\$7,864	\$17,560	\$6,184	\$11,376

## SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - May 31, 2003

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### 5. 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:

	2003	2002
<b>Tam property, British Columbia, Canada</b>		
A 100% interest, subject to a 1% net smelter return royalty.	5,700	5,700
<b>Minnitaki property, Ontario, Canada</b>		
A 90% interest, subject to a sliding scale net smelter return royalty ranging from 1.5% to 3%.	45,000	32,500
<b>Duke property, British Columbia, Canada</b>		
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 and issued 25,000 shares at an agreed value of \$2,500. The property is subject to a 1% net smelter return royalty.	7,900	5,400
<b>Taken property, British Columbia, Canada</b>		
An option to acquire a 100% interest in certain 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%.	8,000	4,000
<b>Tsacha property, British Columbia, Canada</b>		
An option to acquire a 100% interest in certain 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. To date, the Company has issued 100,000 common shares at an agreed value of \$15,000. The Company also staked additional claims at a cost of \$1,630. 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.	31,630	16,630
<b>Tim property, British Columbia, Canada</b>		
A 100% interest by staking.	1,630	1,630

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## SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - May 31, 2003

### 5. MINERAL PROPERTIES (continued)

#### Dani property, British Columbia, Canada

An option to acquire a 100% interest in certain claims. In order to acquire the claims, the Company must pay \$30,000 and issue 198,000 common shares over a three year period. To date, the Company paid \$3,000 and issued 49,500 shares at a value of \$7,425. The property is subject to a 2.5% net smelter royalty, 1.3% of which may be purchased back at any time for \$1,000,000. Commencing on the fourth anniversary, the property will be subject to an annual advance royalty of \$12,000, half of which may be paid in common shares.

10,425 -

#### Sam property, British Columbia, Canada

A 100% interest by staking.

5,616 -

#### Trout property, British Columbia, Canada

An option to acquire a 100% interest in certain claims located in British Columbia. To exercise its option, the Company is required to pay \$25,000, incur \$200,000 in exploration expenditures and issue 175,000 common shares over a three year period. To date, the Company has paid \$5,000 and issued 25,000 common shares at an agreed value of \$3,750. The property is subject to a 2% net smelter royalty, 1% of which may be purchased back at anytime for \$750,000.

13,120 -

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

A 100% interest, subject to a 2.5% net smelter royalty, 1.5% of which may be purchased back at any time for \$1,500,000.

25,000 -

\$154,021 \$78,360

### 6. DEFERRED EXPLORATION COSTS

	Dani Property	Duke Property	Minnitaki Property	Taken Property	Tam Property	Tsacha Property	Other	Total
Balance, beginning of year	\$17,731	\$10,968	\$188,312	\$24,039	\$99,789	\$240,915	\$33,635	\$615,389
Geology	2,424	185	481	406	7,704	272	5,914	17,387
Geophysics - Air								
Geophysics - Ground								
Geochemistry								
Drilling					206,994	586		207,580
Land Retention							1,903	1,903
Land Use/Permitting	2,815				1,359			4,174
Environmental Data Evaluation								
Total deferred costs for the period	5,240	185	481	406	216,057	858	7,817	231,045
Balance, end of period	22,971	11,153	188,793	24,445	315,846	241,773	41,452	846,434

## SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - May 31, 2003

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### 7. RELATED PARTY TRANSACTIONS

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

- a) Paid or accrued \$10,500 (2002 - \$10,500) for administration fees to a company controlled by a director.
- b) Paid or accrued \$4,500 (2002 - \$4,500) for rent to a company controlled by a director.
- c) Paid or accrued \$1,246 (2002 - \$3,244) for professional services to a law firm in which an officer of the Company is a partner.
- d) Paid or accrued \$14,700 (2002 - \$22,500) for management fees to a company controlled by a director.
- e) Paid or accrued \$Nil (2002 - \$Nil) for stock-based compensation, which have been included in management fees and professional fees to directors and officers of the Company.

Included in accounts payable and accrued liabilities at May 31, 2003 is \$41,751 (2002 - \$48,067) due to companies controlled by directors and to a law firm in which an officer of the Company is a partner.

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, unsecured with no specific terms of repayment.

### 8. CAPITAL STOCK

	Number of Shares	Amount
Authorized 50,000,000 common shares without par value		
Issued		
As at February 28, 2003	30,817,771	\$9,663,873
For warrants exercised	-	-
For options exercised	-	-
For cash – private placement	-	-
For mineral property option	<u>215,000</u>	<u>\$30,250</u>
As at May 31, 2003	31,032,771	\$9,694,123

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

### 9. 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.

## SOUTHERN RIO RESOURCES LTD.

### Notes to the Consolidated Financial Statements - May 31, 2003

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The following incentive stock options were outstanding at May 31, 2003:

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, 2003, the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

Number of Shares	Exercise Price	Expiry Date
120,000	\$0.30	July 31, 2003
70,000	\$0.21	October 23, 2003
2,012,500	\$0.21/\$0.25	December 31, 2004
3,260,000	\$0.20/\$0.25	January 31, 2005

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

Significant non-cash transactions for the period ended May 31, 2003 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 5).
- 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 5).
- 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 5).
- e) The issuance of 25,000 common shares, with an agreed value of \$3,750 as consideration towards the acquisition of the Trout Property in British Columbia (Note 5).

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 5).
- 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 5).
- 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 5).

## SOUTHERN RIO RESOURCES LTD.

Notes to the Consolidated Financial Statements - May 31, 2003

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### 11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash, receivables, marketable securities, reclamation deposit, 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.

### 12. STOCK-BASED COMPENSATION

The Company has elected to measure compensation costs using the intrinsic value-based method for employee stock options.

The Company granted 1,000,000 stock options during the prior fiscal year to employees at an exercise price below the share price at the date of granting and 100,000 to non-employees. Accordingly, the stock-based compensation recognized, using the intrinsic value-based method, was \$26,444 (2002 - \$Nil), \$68,000 (2002 - \$Nil) and \$12,000 (2002 - \$Nil) and was recorded as consulting fees, management fees and professional fees, respectively on the Statement of Operations. These amounts were also recorded as contributed surplus on the balance sheet.

Had the compensation costs been determined based on the fair value of the options at the grant date using the Black-Scholes option-pricing model, additional compensation expense would have been recorded in the statement of operations for the year, with pro-forma results as presented below. Under the transitional provisions of Section 3870, comparative figures are not required.

	2003
Loss as reported	\$(373,575)
Compensation expense under Section 3870	(110,661)
<u>Pro-forma loss for the year</u>	<u>\$(484,236)</u>
<u>Pro-forma basic and diluted loss per share</u>	<u>\$(0.02)</u>

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

Risk-free interest rate	4.42%
Expected life of options	3 years
Annualized volatility	208.73%
Dividend rate	0%

Due to the illiquidity of the Company's shares, a block discount of 40% (\$73,774) was applied to this value providing a pro-forma stock-based compensation expense of \$110,661.

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

## **SOUTHERN RIO RESOURCES LTD.**

**Notes to the Consolidated Financial Statements - May 31, 2003**

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### **13. SUBSEQUENT EVENTS**

The following events occurred subsequent to May 31, 2003:

- a) The Company was granted an option to acquire a 100% interest in the Uduk Lake property claims located in British Columbia, Canada. In order to acquire its claims, the Company must issue 150,000 common shares. To date, the Company issued 150,000 shares at a value of \$22,500. The property is subject to a 3% net smelter royalty, 2% of which may be purchased back at anytime for \$1 million per percentage.
- b) The Company abandoned the Tim property claims acquired during the prior fiscal year. All associated costs will be written-off during the next quarter.

**QUARTERLY AND YEAR END REPORT**  
FORM 51-901F

Southern Rio Resources Ltd. - May 31, 2003

**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 Note 6 - Statement of Deferred Exploration Costs for expenditures made on property investigation, exploration and development during this period.

**2. Related Party Transactions:**

Refer to Note 7 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
37696	Common Shares	Property Payment	\$0.10	40000	\$4,000	Nil	Nil
37705	Common Shares	Property Payment	\$0.15	100000	\$15,000	Nil	Nil
37726	Common Shares	Property Payment	\$0.15	50000	\$7,500	Nil	Nil
37760	Common Shares	Property Payment	\$0.15	25000	\$3,750	Nil	Nil

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

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

a) Refer to Note 8 of Schedule A - Consolidated Financial Statements for a summary of authorized capital

b) Refer to Note 9 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, 2003

**SCHEDULE C - Management Discussion**

**Discussion of Operations and Financial Condition:**

For the three month period ended May 31, 2003, the Company had a net loss of \$56,266 or \$0.01 per share compared with the loss of \$68,086 or \$0.01 per share for the corresponding period in the previous year. The Company has a working capital of \$78,765 compared with working capital of \$29,008 at May 31, 2002.

The Company incurred deferred exploration expenditures of \$231,045 during this period compared with \$15,961 during the same period in 2002.

The Company had general and administrative expenses of \$57,714 as at May 31, 2003 compared to \$68,191 during the same period in 2002.

During the quarter under review, the Company announced that it had retained Jeffrey Wilson to provide investor relations service to the Company for an initial period of two months at a salary of \$4,000 per month.

**President's Message:**

In the quarter under review, the Company completed further diamond drilling on the Tam Property in central British Columbia, as well as entering into an option agreement to acquire a 100% interest in the Trout Property, also in central British Columbia.

Between March 12 and April 7, 2003 the Company carried out a fourteen hole, 1,541.8 metre diamond drilling program on the Tam Property, located approximately 125 kilometres southwest of Vanderhoof. The Tam Property forms part of the larger 3Ts Project, consisting of the contiguous Tsacha, Tam and Taken Properties. The drilling further tested the Ted Vein as well as evaluated the Mint Vein target located approximately 500 metres to the north. Significant silver-gold intersections were returned from both veins, as detailed in the Company news releases dated April 2 and April 28, 2003, and further work has been recommended by the Company's technical consultants.

During the summer field season, additional surface geological mapping, geochemical sampling and prospecting is planned for the 3Ts Project to define additional targets for subsequent drill testing, planned for either the upcoming fall or winter. The targets on the 3Ts Project are gold and/or silver-bearing epithermal quartz vein systems.

Also during the quarter, the Company announced the signing of an option agreement to acquire a 100% interest in the Trout Property, located in the Nechako Region of central British Columbia. The property benefits from the same excellent location and infrastructure as the 3Ts Project, and the geological target is also epithermal precious metal mineralization. The Company plans an initial ground exploration program on the property in late summer.

The Company continues to focus on precious metal opportunities in Canada located in areas of good infrastructure and supportive community attitudes towards resource developments. Most of the Company's current activities are in central British Columbia, an area with a long history of successful mining, and more recently, much improved government policies towards mineral exploration and mine development.