



British Columbia Securities Commission

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

Freedom of Information and Protection of Privacy Act: The personal information requested on this form is collected under the authority of and used for the purpose of administering the Securities Act.

ISSUER DETAILS
NAME OF ISSUER: SOUTHERN RIO RESOURCES LTD.
ISSUER ADDRESS: 1410 - 650 WEST GEORGIA STREET, PO BOX 11584
CITY/PROVINCE: VANCOUVER/BC
POSTAL CODE: V6B 4N8
ISSUER FAX NO.: 604-408-0489
ISSUER TELEPHONE NO.: 604-687-3959
CONTACT PERSON: LINDSAY BOTTOMER
CONTACT'S POSITION: PRESIDENT
CONTACT TELEPHONE NO.: 604-687-3959
CONTACT EMAIL ADDRESS: info@southernrio.com
WEB SITE ADDRESS: www.southernrio.com

CERTIFICATE

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

DIRECTOR'S SIGNATURE: "LINDSAY R. BOTTOMER"
PRINT FULL NAME: LINDSAY R. BOTTOMER
DATE SIGNED: 03/06/16
DIRECTOR'S SIGNATURE: "RANDY C. TURNER"
PRINT FULL NAME: RANDY C. TURNER
DATE SIGNED: 03/06/16

SOUTHERN RIO RESOURCES LTD.
QUARTERLY AND YEAR END REPORT - FORM 51-901F
FEBRUARY 28, 2003

SCHEDULE A: FINANCIAL INFORMATION

See attached audited consolidated financial statements for the year ended February 28, 2003.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. Analysis of expenses and deferred costs:

See attached audited consolidated financial statements for the year ended February 28, 2003.

2. Related party transactions:

See Note 7 of the attached audited consolidated financial statements for the year ended February 28, 2003.

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

a) Summary of securities issued during the period:

Date	Type of Security	Type of Issue	Number of Shares	Price	Amount	Consideration	Commissions Paid
March 1, 2002	Common shares	Options exercised	300,000	\$ 0.15	\$ 45,000	Cash	\$ Nil
March 27, 2002	Common shares	Property Payment	40,000	0.10	4,000	Property	Nil
April 17, 2002	Common shares	Property Payment	150,000	0.15	22,500	Property	Nil
April 24, 2002	Common shares	Private placement	1,025,000	0.15	153,750	Cash	Nil
May 17, 2002	Common shares	Options exercised	100,000	0.15	15,000	Cash	Nil
May 27, 2002	Common shares	Options exercised	300,000	0.15	45,000	Cash	Nil
May 28, 2002	Common shares	Warrants exercised	24,584	0.20	4,917	Cash	Nil
June 17, 2002	Common shares	Warrants exercised	4,000	0.20	800	Cash	Nil
June 25, 2002	Common shares	Warrants exercised	50,000	0.20	10,000	Cash	Nil
July 31, 2002	Common shares	Private placement	800,000	0.25	200,000	Cash	15,000
September 18, 2002	Common shares	Property payment	49,500	0.15	7,425	Property	Nil
October 23, 2002	Common shares	Private placement	700,000	0.17	119,000	Cash	9,000
December 12, 2002	Common shares	Private placement	706,506	0.30	211,952	Cash	Nil
December 31, 2002	Common shares	Private placement	1,750,000	0.17	297,500	Cash	5,000
January 31, 2003	Common shares	Private placement	2,716,667	0.15	407,500	Cash	32,600
February 13, 2003	Common shares	Property payment	25,000	0.10	2,500	Property	Nil

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

3. b) Summary of options granted during the period:

Date	Optionee	Number of Options	Exercise Price	Expiry Date
May 15, 2002	Lindsay R. Bottomer	300,000	\$ 0.20	May 15, 2007
May 15, 2002	Randy C. Turner	250,000	0.20	May 15, 2007
May 15, 2002	John A. McDonald	150,000	0.20	May 15, 2007
May 15, 2002	Wayne G. Beach	150,000	0.20	May 15, 2007
May 15, 2002	Graham Scott	100,000	0.20	May 15, 2007
May 15, 2002	Employees	50,000	0.20	May 15, 2007
May 15, 2002	Consultants	100,000	0.20	May 15, 2007

4. As at the end of the reporting period:

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

b) Shares issued and outstanding:

See Note 8 of the attached consolidated audited financial statements for the year ended February 28, 2003.

c) Options, warrants and convertible securities outstanding:

See Note 9 of the attached consolidated audited financial statements for the year ended February 28, 2003.

d) Number of escrow shares: 163,500 common shares

5. List of Directors and Officers: Lindsay R. Bottomer – President, CEO and Director
Randy C. Turner – Director
Wayne G. Beach – Director
John A. McDonald – Director
Simon Ridgway – Director
Graham Scott – Secretary

SCHEDULE C: MANAGEMENT DISCUSSION

Discussion of Operations and Financial Condition:

For the fiscal year ended February 28, 2003, the Company had a net loss of \$373,575 or \$0.01 per share compared with the loss of \$2,029,283 or \$0.10 per share for the corresponding period in the previous year of which \$1,715,131 was attributed to the write-off of certain properties and their associated costs. The Company has working capital of \$382,873 compared with a deficit of \$142,353 at February 28, 2002.

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

The Company incurred deferred exploration expenditures of \$592,528 during this period compared with \$341,534 during the same period in 2002. The Company also incurred general and administrative expenses of \$377,888 compared to \$318,578 during the prior year.

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

President's Message:

On behalf of the Board of Directors of Southern Rio Resources Ltd., it is a pleasure to report to you the year's activities and accomplishments, and to present the audited financial statements for the fiscal year ending February 28, 2003.

The past year has seen a slow but measurable improvement in the junior exploration sector, particularly for companies such as Southern Rio who are focused on precious metal exploration. I anticipate that this trend will continue in the coming year. Important achievements during the year include the successful completion of initial diamond drilling programs on the Minnitaki and 3Ts projects; acquisition of two new properties, the Dani and Sam; and closing of several financing which collectively raised over \$1.1 million in equity funds. In addition, the Company solidified its position as the lead explorer for precious metals in the Nechako Plateau of central British Columbia, one of the most exciting early stage exploration plays in southern Canada. With the continuing gradual improvement in the political and regulatory climate in British Columbia, I expect this area to remain the focus of most of our efforts during the coming year.

On the **3Ts Project** in the Nechako Region, consisting of the **Tam, Taken and Tsacha Properties**, Southern Rio owns or has the option to earn a 100% interest in approximately 34 square kilometers of ground covering the entire known extent of the Nechako epithermal gold-silver camp. This type of mineralization is well-documented around the Pacific "Rim of Fire", and includes such important producers such as the Midas and Sleeper Mines in Nevada, the El Penon Mine in Chile and the Hishikari Mine in Japan, all of which contain high grade bonanza-style gold-silver mineralization.

In the fall of 2002, the Company carried out its initial diamond drilling program on the 3Ts project, consisting of seven holes totaling 952 metres on the Tsacha property and four holes totaling 361 metres on the adjoining Tam property. The work on the Tsacha property was concentrated on the Tommy Vein, and was successful in extending the known strike length of the vein from approximately 650 metres to over one kilometre, with the vein remaining strongly developed in the northernmost drill intercept. A large, strongly developed vein system such as this has the potential for the occurrence of a second zone of mineralization, and our future work will focus on the little-explored north end of the system.

On the Tam property, four drillholes were sited to test the Ted Vein, where limited previous drilling returned very encouraging results. Three of the four Southern Rio holes intersected epithermal-style gold-silver mineralization over potentially economic grades and widths. The fourth hole was lost in overburden before reaching bedrock. These drilling results from Tam represent some of the best, if not the best, results from an early stage precious metal exploration program in western Canada in the last year, and will be the focus of follow-up drilling in the winter of 2003.

In addition to the fall drilling program on the Tsacha property, the Company also retained Sundance Ventures to complete a resource estimate and independent technical report to meet the requirements of National Instrument 43-101. Using a 4 gram/tonne gold grade as cut-off, Sundance Ventures estimates that the Tommy Vein on the Tsach property contains an Inferred Resource of 470,700 tonnes at a grade of 7.4 grams/tonne gold and 65.22 grams/tonne silver. The contained ounces are 112,000 ounces of gold and 987,000 ounces of silver.

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

Also in the Nechako region, the Company staked the **Sam** gold-silver property, where limited previous exploration returned gold values up to 7.1 g/t and silver values up to 156.7 g/t within a large area of hydrothermal alteration. Recent logging activity in the area of the claims has greatly improved both the access and the amount of rock outcrop exposed since the last exploration work was carried out.

Elsewhere in British Columbia, small exploration programs were carried out on both the **Duke** copper-gold property near Merritt, and the newly-acquired **Dani** zinc-silver-gold property south of Kitimat.

In Ontario, the Company carried out an eight-hole summer diamond drilling program on the **Minnitaki Project** near Sioux Lookout. This work was successful in discovering a new zone of near-surface gold mineralization, the Western Zone, which will be the focus of further work planned for the summer of 2003.

In addition to the above projects, the Company continues to actively seek and evaluate new project opportunities, with the primary focus on precious metal situations in areas with established infrastructure.

In conclusion, I would like to thank our loyal shareholders for their continued support over the last twelve months, and my fellow directors Randy Turner, John McDonald, Simon Ridgway and Wayne Beach for their counsel and guidance. Our technical consultants, contractors and administrative staff deserve special thanks for their efforts in achieving the maximum result from our exploration expenditures. I look forward to working with you all again in the coming year.

Lindsay Bottomer

SOUTHERN RIO RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2003

AUDITORS' REPORT

To the Shareholders of
Southern Rio Resources Ltd.

We have audited the consolidated balance sheets of Southern Rio Resources Ltd. as at February 28, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a consistent basis.

“DAVIDSON & COMPANY”

Vancouver, Canada

Chartered Accountants

May 30, 2003

A Member of SC INTERNATIONAL

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

	2003	2002
ASSETS		
Current		
Cash	\$ 266,879	\$ 23,713
Restricted cash (Note 12)	312,613	-
Receivables	73,808	62,898
Marketable securities	10,000	10,000
Prepaid expenses and deposits	<u>2,000</u>	<u>2,000</u>
	665,300	98,611
Reclamation deposit (Note 3)	3,500	-
Capital assets (Note 4)	7,864	11,376
Mineral properties (Note 5)	106,974	43,600
Deferred exploration costs (Note 6)	<u>615,389</u>	<u>22,861</u>
	\$ 1,399,027	\$ 176,448

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

Current		
Accounts payable and accrued liabilities	\$ 121,392	\$ 79,929
Due to related parties (Note 7)	<u>161,035</u>	<u>161,035</u>
	282,427	240,964
Shareholders' equity (deficiency)		
Capital stock (Note 8)	9,663,873	8,215,626
Contributed surplus (Note 15)	106,444	-
Cumulative translation adjustment	2,048	2,048
Deficit	<u>(8,655,765)</u>	<u>(8,282,190)</u>
	1,116,600	(64,516)
	\$ 1,399,027	\$ 176,448

Nature and continuance of operations (Note 1)

Subsequent events (Note 16)

On behalf of the Board:

 "Lindsay R. Bottomer"
 Lindsay R. Bottomer

Director

 "Randy C. Turner"
 Randy C. Turner

Director

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

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

	2003	2002
EXPENSES		
Administration fees	\$ 42,000	\$ 40,500
Advertising and promotion	14,161	8,917
Amortization	3,512	4,998
Consulting	27,956	47,038
Management fees	141,650	42,050
Office and miscellaneous	20,989	21,467
Professional fees	58,865	74,423
Rent	18,000	17,500
Salaries and benefits	11,354	30,106
Transfer agent and filing fees	26,967	21,993
Travel and related costs	<u>12,434</u>	<u>9,586</u>
Loss before other items	<u>(377,888)</u>	<u>(318,578)</u>
OTHER ITEMS		
Interest income	4,313	4,426
Write-off of mineral properties (Note 11)	-	(748,704)
Write-off of deferred exploration costs (Note 11)	<u>-</u>	<u>(966,427)</u>
	<u>4,313</u>	<u>(1,710,705)</u>
Loss for the year	(373,575)	(2,029,283)
Deficit, beginning of year	<u>(8,282,190)</u>	<u>(6,252,907)</u>
Deficit, end of year	<u>\$ (8,655,765)</u>	<u>\$ (8,282,190)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>
Weighted average number of common shares outstanding	<u>25,150,074</u>	<u>21,226,980</u>

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

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

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (373,575)	\$ (2,029,283)
Items not affecting cash		
Amortization	3,512	4,998
Write-off of mineral properties	-	748,704
Write-off of deferred exploration costs	-	966,427
Loss on sale of capital assets	-	5,388
Services rendered	-	(10,000)
Stock-based compensation	106,444	-
Changes in non-cash working capital items		
Increase in receivables	(10,910)	(10,924)
Increase in prepaid expenses and deposits	-	(2,000)
Increase (decrease) in accounts payable and accrued liabilities	41,463	(152,681)
Decrease in due to related parties	-	(123,680)
Net cash used in operating activities	<u>(233,066)</u>	<u>(603,051)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reclamation deposit	(3,500)	-
Acquisition of mineral properties	(26,949)	(22,600)
Deferred exploration costs	(592,528)	(341,534)
Deferred exploration costs recovered	-	478,279
Acquisition of capital assets	-	(5,509)
Proceeds from sale of capital assets	-	4,406
Net cash provided by (used in) investing activities	<u>(622,977)</u>	<u>113,042</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock, net of issuance costs	<u>1,411,822</u>	<u>475,100</u>
Net cash provided by financing activities	<u>1,411,822</u>	<u>475,100</u>

- continued -

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

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

	2003	2002
<i>Continued...</i>		
Effect of exchange rate changes on cash	-	(11,661)
Change in cash position during the year	555,779	(26,570)
Cash position, beginning of year	23,713	50,283
Cash position, end of year	\$ 579,492	\$ 23,713
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Cash position is represented by:		
Cash	\$ 266,879	\$ 23,713
Restricted cash	312,613	-
	\$ 579,492	\$ 23,713

Supplemental disclosures with respect to cash flows (Note 10)

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

SOUTHERN RIO RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2003

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.

	2003	2002
Deficit	\$ (8,655,765)	\$ (8,282,190)
Working capital (deficiency)	382,873	(142,353)

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 February 28, 2003 is \$20,000.

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.

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

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 rehabilitation 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.

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

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 (loss) 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 whereby 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 February 28, 2003, a total of \$3,500 (2002 - \$Nil) had been lodged with the British Columbia Ministry of Energy and Mines.

SOUTHERN RIO RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2003

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

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
Tam property, British Columbia, Canada		
The Company paid \$4,700 and issued 10,000 common shares at a value of \$1,000 to acquire a 100% interest. The property is subject to a 1% net smelter return royalty.	\$ 5,700	\$ 5,700
Minnitaki property, Ontario, Canada		
The Company paid \$25,000 and issued 200,000 common shares at a value of \$20,000 to acquire a 90% interest in certain claims. The property is subject to a sliding scale net smelter return royalty ranging from 1.5% to 3%.	45,000	32,500
Duke property, British Columbia, Canada		
An option to acquire a 100% interest in certain claims. To date the Company paid \$5,400 and issued 50,000 common shares at a value of \$2,500. In order to earn its interest, the Company must issue an additional 25,000 common shares over a three year period. The property is subject to a 1% net smelter return royalty.	7,900	5,400

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SOUTHERN RIO RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2003

5. MINERAL PROPERTIES (cont'd...)

	2003	2002
<i>Continued...</i>		
Taken property, British Columbia, Canada		
During the current year, the Company was granted an option to acquire a 100% interest in certain claims. In order to acquire the claims, the Company must incur \$250,000 in exploration expenditures, along with the issuance of 200,000 common shares over a four year period. To date, the Company has issued 40,000 shares at a 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		
During the current year, the Company was granted an option to acquire a 100% interest in certain claims. In order to acquire the claims, the Company must incur \$1,200,000 in exploration expenditures, along with the issuance of 400,000 common shares over a three year period. To date, the Company has issued 100,000 shares at a value of \$15,000. The Company has 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.	16,630	-
Bond & Johnson property, Ontario, Canada		
During the current year, the Company was granted an option to acquire a 100% interest in certain claims. In order to acquire the claims, the Company must pay \$10,000 and issue 100,000 common shares over a one year period. To date, the Company paid \$5,000 and issued 50,000 shares at a value of \$7,500. 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	-
Dani property, British Columbia, Canada		
During the current year, the Company was granted 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	-
Tim property, British Columbia, Canada		
A 100% interest by staking	1,630	-
Sam property, British Columbia, Canada		
A 100% interest by staking.	3,189	-
	\$ 106,974	\$ 43,600

SOUTHERN RIO RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2003

6. DEFERRED EXPLORATION COSTS

2003	Tam Property	Minnitaki Property	Duke Property	Taken Property	Tsacha Property	Dani Property	Other	Total
Balance, beginning of year	\$ 8,791	\$ 5,306	\$ 2,198	\$ -	\$ -	\$ -	\$ 6,566	\$ 22,861
Data evaluation	12,973	-	-	11,743	31,281	-	630	56,627
Data management	1,027	-	-	626	2,275	-	-	3,928
Drilling	48,662	182,647	-	653	114,283	-	7,020	353,265
Field sampling	-	-	-	180	270	367	288	1,105
Geology	12,294	359	8,770	3,170	56,516	17,364	19,131	117,604
Geophysics	10,637	-	-	7,667	29,897	-	-	48,201
Land retention	3,374	-	-	-	3,444	-	-	6,818
Land permitting	2,031	-	-	-	2,949	-	-	4,980
Total deferred costs for the year	90,998	183,006	8,770	24,039	240,915	17,731	27,069	592,528
Balance, end of year	\$ 99,789	\$ 188,312	\$ 10,968	\$ 24,039	\$ 240,915	\$ 17,731	\$ 33,635	\$ 615,389

2002	Santo Tomas Property	Patagonia Property	Tam Property	Minnitaki Property	Duke Property	Other	Total
Balance, beginning of year	\$ 272,723	\$ 842,490	\$ -	\$ -	\$ -	\$ 10,820	\$ 1,126,033
Consulting	60,903	-	7,618	1,590	1,798	2,096	74,005
Drafting	925	-	-	275	150	142	1,492
Drilling	77,235	-	-	-	-	-	77,235
Government fees	-	-	-	-	-	3,360	3,360
Field supplies	36,089	-	-	22	-	-	36,111
Maps and report costs	95	-	287	449	250	-	1,081
Professional fees	84,097	-	718	2,219	-	350	87,384
Rentals	27,852	-	-	-	-	-	27,852
Travel and related costs	31,477	-	168	751	-	618	33,014
Total deferred costs for the year	318,673	-	8,791	5,306	2,198	6,566	341,534
Costs recovered	(478,279)	-	-	-	-	-	(478,279)
Written-off during the year (Note 11)	(113,117)	(842,490)	-	-	-	(10,820)	(966,427)
	(272,723)	(842,490)	8,791	5,306	2,198	(4,254)	(1,103,172)
Balance, end of year	\$ -	\$ -	\$ 8,791	\$ 5,306	\$ 2,198	\$ 6,566	\$ 22,861

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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 \$42,000 (2002 - \$40,500) for administration fees to a company controlled by a director.
- b) Paid or accrued \$18,000 (2002 - \$17,500) for rent to a company controlled by a director.
- c) Paid or accrued \$16,644 (2002 - \$74,423) for professional fees to a law firm in which an officer of the Company is a partner.
- d) Paid or accrued \$73,650 (2002 - \$42,050) for management fees to a company controlled by a director.
- e) Paid or accrued \$76,000 (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 February 28, 2003 is \$68,750 (2002 - \$56,038) 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 at February 28, 2003 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, 2001	18,706,514	\$ 7,700,826
For options exercised	300,000	45,000
For cash – private placement	2,750,000	467,500
Share issue costs	-	(37,400)
Finder's fee	110,000	18,700
For mineral property options	<u>210,000</u>	<u>21,000</u>
As at February 28, 2002	22,076,514	8,215,626
For options exercised	700,000	105,000
For warrants exercised	78,584	15,717
For cash – private placement	7,698,173	1,389,702
Share issue costs	-	(98,597)
For mineral property options	<u>264,500</u>	<u>36,425</u>
As at February 28, 2003	<u>30,817,771</u>	<u>\$ 9,663,873</u>

SOUTHERN RIO RESOURCES LTD.
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8. CAPITAL STOCK (cont'd...)

As at February 28, 2003 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.

The following incentive stock options were outstanding at February 28, 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

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

	Number of Options	Weighted Average Exercise Price
Outstanding, February 28, 2001	1,700,000	\$ 0.15
Granted	800,000	0.15
Exercised	(300,000)	0.15
Expired/cancelled	(400,000)	0.15
Outstanding, February 28, 2002	1,800,000	0.15
Granted	1,100,000	0.20
Exercised	(700,000)	0.15
Expired/cancelled	-	-
Outstanding, February 28, 2003	2,200,000	\$ 0.17
Options exercisable, February 28, 2003	2,200,000	\$ 0.17

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9. STOCK OPTIONS AND WARRANTS (cont'd...)

Warrants

As at February 28, 2003, the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

Number of Shares	Exercise Price	Expiry Date
512,500	\$ 0.20	April 24, 2003 (subsequently expired)
2,781,416	0.20	May 24, 2003 (subsequently expired)
120,000	0.30	July 25, 2003
70,000	0.21	October 23, 2003
2,012,500	0.21	December 31, 2003
	then at 0.25	December 31, 2004
3,260,000	0.20	January 31, 2004
	then at 0.25	January 31, 2005

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended February 28, 2003 include:

- a) The issuance of 25,000 common shares, with a value of \$2,500 as consideration towards the acquisition of the Duke property in British Columbia (Note 5).
- b) The issuance of 40,000 common shares, with a value of \$4,000 as consideration towards the acquisition of the Taken property in British Columbia (Note 5).
- c) The issuance of 100,000 common shares, with a value of \$15,000 as consideration towards the acquisition of the Tsacha property in British Columbia (Note 5).
- d) The issuance of 50,000 common shares, with a value of \$7,500 as consideration towards the acquisition of the Bond & Johnson property in Ontario (Note 5).
- e) The issuance of 49,500 common shares, with a value of \$7,425 as consideration towards the acquisition of the Dani property in British Columbia (Note 5).

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

- a) The Company received marketable securities with a market value of \$10,000 as payment for services rendered during the year.
- b) The issuance of 10,000 common shares, with a value of \$1,000, as consideration towards the acquisition of the Tam property in British Columbia (Note 5).

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

- c) The issuance of 200,000 common shares, with a value of \$20,000 as consideration towards the acquisition of the Minnitaki property in Ontario (Note 5).
- d) The issuance of 110,000 common shares, with a value of \$18,700, as a finder's fee.

11. WRITE-OFF OF MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Mineral Property Costs	Deferred Exploration Costs	Total
2003	\$ -	\$ -	\$ -
2002			
Santo Thomas Property, Chile			
An option to acquire a 100% interest. In fiscal 2002, the Company abandoned its option and accordingly, all related costs were written-off to operations.	\$ 1	\$ 113,117	\$ 113,118
Patagonia Property, Chile and Argentina			
A 100% interest. In fiscal 2002, the Company abandoned its option and accordingly, all related costs were written-off to operations.	748,703	842,490	1,591,193
Other, Chile			
The Company abandoned all exploration work in Chile and accordingly, all related costs were written-off to operations.	-	10,820	10,820
	\$ 748,704	\$ 966,427	\$ 1,715,131

12. INCOME TAXES

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

	2003	2002
Loss before income taxes	\$ (373,575)	\$ (2,029,283)
Expected income tax recovery	\$ (140,464)	\$ (844,588)
Non-deductible items	41,344	313,691
Non-deductible losses in subsidiary	-	404,469
Unrecognized benefit of net operating losses carried forward	99,120	126,428
	\$ -	\$ -

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12. INCOME TAXES (cont'd...)

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

	2003	2002
Future income tax assets		
Capital assets	\$ 2,300	\$ 1,800
Mineral properties and deferred exploration costs	965,000	1,125,000
Losses available for future periods	<u>462,000</u>	<u>568,000</u>
	1,429,300	1,694,800
Valuation allowance	<u>(1,429,300)</u>	<u>(1,694,800)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has not recorded in these financial statements, the future income tax benefits of approximately \$1,299,000 of non-capital losses which may be applied to reduce taxable income in future years. If not utilized, the losses expire through 2010. In addition, the Company has exploration and development expenditures of approximately \$3,434,000 available to reduce taxable income of future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

During the current year, the Company issued 3,250,000 common shares on a flow-through basis for gross proceeds of \$616,500. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. The Company renounced exploration expenditures of \$616,500 by December 31, 2002. As at February 28, 2003, proceeds from flow-through financing of \$312,613 (2002 - \$Nil) are restricted for future Canadian exploration expenditures.

13. SEGMENTED INFORMATION

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

	2003	2002
Loss for the year:		
Chile	\$ -	\$ (1,051,382)
Canada	<u>(373,575)</u>	<u>(977,901)</u>
	<u>\$ (373,575)</u>	<u>\$ (2,029,283)</u>

- continued -

SOUTHERN RIO RESOURCES LTD.
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13. SEGMENTED INFORMATION (cont'd...)

	2003	2002
<i>Continued...</i>		
Identifiable assets:		
Chile	\$ 57,451	\$ 61,884
Canada	<u>1,341,576</u>	<u>114,564</u>
	<u>\$ 1,399,027</u>	<u>\$ 176,448</u>

14. 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.

15. 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 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	<u>(110,661)</u>
Pro-forma loss for the year	<u>\$ (484,236)</u>
Pro-forma basic and diluted loss per share	<u>\$ (0.02)</u>

15. STOCK-BASED COMPENSATION (cont'd...)

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.

16. SUBSEQUENT EVENTS

The following events occurred subsequent to February 28, 2003:

- a) The Company issued 40,000 common shares at a value of \$4,000 as consideration towards the acquisition of the Taken property in British Columbia (Note 5).
- b) The Company issued 100,000 common shares at a value of \$15,000 as consideration towards the acquisition of the Tsacha property in British Columbia (Note 5).
- c) The Company issued 50,000 common shares at a value of \$7,500 as consideration towards the acquisition of the Bond & Johnson property in Ontario (Note 5).
- d) The Company was granted an option to acquire a 100% interest in the Trout property claims located in British Columbia, Canada. In order to acquire its claims, the Company must pay \$25,000, incur \$200,000 in exploration expenditures and issue 175,000 common shares over a three year period. To date, the Company paid \$5,000 and issued 25,000 shares at a 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.