



British Columbia Securities Commission

QUARTERLY AND YEAR END REPORT
BC FORM 51-901F

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ISSUER DETAILS		FOR QUARTER ENDED			DATE OF REPORT		
NAME OF ISSUER					Y M D		
SOUTHERN RIO RESOURCES LTD.		04 02 29			04 04 02		
ISSUER ADDRESS							
1410 – 650 WEST GEORGIA STREET, PO BOX 11584							
CITY/	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.			
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CONTACT PERSON		CONTACT'S POSITION			CONTACT TELEPHONE NO.		
LINDSAY BOTTOMER		PRESIDENT			604-687-3959		
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CERTIFICATE

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

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED		
		Y M D		
"LINDSAY R. BOTTOMER"	LINDSAY R. BOTTOMER	04 05 03		
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED		
		Y M D		
"RANDY C. TURNER"	RANDY C. TURNER	04 05 03		

SOUTHERN RIO RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2004

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 29, 2004 and February 28, 2003 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 29, 2004 and February 28, 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY"

Vancouver, Canada

Chartered Accountants

April 2, 2004

A Member of *SC INTERNATIONAL*

SOUTHERN RIO RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS

	February 29, 2004	February 28, 2003
ASSETS		
Current		
Cash	\$ 408,429	\$ 266,879
Restricted cash (Note 12)	483,959	312,613
Receivables	46,554	73,808
Marketable securities	10,000	10,000
Prepaid expenses and deposits	<u>11,700</u>	<u>2,000</u>
	960,642	665,300
Reclamation deposit (Note 3)	3,500	3,500
Equipment (Note 4)	6,291	7,864
Mineral properties (Note 5)	154,466	106,974
Deferred exploration costs (Note 6)	<u>1,558,859</u>	<u>615,389</u>
	<u>\$ 2,683,758</u>	<u>\$ 1,399,027</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 316,711	\$ 52,642
Due to related parties (Note 7)	<u>14,250</u>	<u>229,785</u>
	<u>330,961</u>	<u>282,427</u>
Shareholders' equity		
Capital stock (Note 8)	10,969,034	9,663,873
Contributed surplus (Note 8)	426,594	106,444
Cumulative translation adjustment	-	2,048
Deficit	<u>(9,042,831)</u>	<u>(8,655,765)</u>
	<u>2,352,797</u>	<u>1,116,600</u>
	<u>\$ 2,683,758</u>	<u>\$ 1,399,027</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 15)

On behalf of the Board:

<u>“Lindsay R. Bottomer”</u> Lindsay R. Bottomer	Director	<u>“Randy C. Turner”</u> Randy C. Turner	Director
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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 29, 2004	Year Ended February 28, 2003
EXPENSES		
Administration fees	\$ 42,000	\$ 42,000
Advertising and promotion	26,669	14,161
Amortization	1,573	3,512
Consulting	44,067	1,512
Interest and bank charges	10,719	675
Management fees	79,263	73,650
Office and miscellaneous	17,676	20,314
Professional fees	36,629	46,865
Rent	18,000	18,000
Salaries and benefits	2,712	11,354
Stock-based compensation	9,573	106,444
Transfer agent and filing fees	25,936	26,967
Travel and related costs	<u>12,283</u>	<u>12,434</u>
Loss before other items	<u>(327,100)</u>	<u>(377,888)</u>
OTHER ITEMS		
Interest income	5,155	4,313
Write-off of mineral properties (Note 5)	(12,055)	-
Write-off of deferred exploration costs (Note 6)	(24,014)	-
Loss on disposal of subsidiary (Note 10)	<u>(29,052)</u>	<u>-</u>
	<u>(59,966)</u>	<u>4,313</u>
Loss for the year	(387,066)	(373,575)
Deficit, beginning of year	<u>(8,655,765)</u>	<u>(8,282,190)</u>
Deficit, end of year	<u>\$ (9,042,831)</u>	<u>\$ (8,655,765)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>33,578,964</u>	<u>25,150,074</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 29, 2004	Year Ended February 28, 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (387,066)	\$ (373,575)
Items not affecting cash		
Amortization	1,573	3,512
Stock-based compensation	9,573	106,444
Write-off of mineral properties	12,055	-
Write-off of deferred exploration costs	24,014	-
Loss on disposal of subsidiary	29,052	-
Changes in non-cash working capital items		
Increase in receivables	(24,111)	(10,910)
Increase in prepaid expenses and deposits	(9,700)	-
Increase in accounts payable and accrued liabilities	<u>255,042</u>	<u>41,463</u>
Net cash used in operating activities	<u>(89,568)</u>	<u>(233,066)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reclamation deposit	-	(3,500)
Acquisition of mineral properties	(16,797)	(26,949)
Deferred exploration costs	(967,484)	(592,528)
Option payments received	10,000	-
Restricted cash	(171,346)	(312,613)
Net proceeds from disposal of subsidiary	<u>7,883</u>	<u>-</u>
Net cash used in investing activities	<u>(1,137,744)</u>	<u>(935,590)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock, net of issuance costs	1,517,695	1,411,822
Due to related parties	<u>(146,785)</u>	<u>-</u>
Net cash provided by financing activities	<u>1,370,910</u>	<u>1,411,822</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 29, 2004	Year Ended February 28, 2003
<i>Continued...</i>		
Effect of exchange rate changes on cash	<u>(2,048)</u>	<u>-</u>
Increase in cash position during the year	141,550	243,166
Cash position, beginning of year	<u>266,879</u>	<u>23,713</u>
Cash position, end of year	<u>\$ 408,429</u>	<u>\$ 266,879</u>
Cash paid for interest	<u>\$ 10,022</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosures with respect to cash flows (Note 11)

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

SOUTHERN RIO RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 29, 2004

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 its 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.

	February 29, 2004	February 28, 2003
Deficit	\$ (9,042,831)	\$ (8,655,765)
Working capital	629,681	382,873

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. ("Minera"), a Chilean corporation, up to date of disposition. 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 29, 2004 was \$22,500 (February 28, 2003 - \$20,000).

Equipment and amortization

Equipment, being furniture and equipment, is 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 consideration 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 costs relating to mineral properties and 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 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, Minera, was an integrated foreign operation and was translated into Canadian dollar equivalents using the temporal method up to the date of disposition. Monetary items were translated at the exchange rate in effect at the balance sheet date; non-monetary items were translated at historical exchange rates. Income and expense items were translated at the average exchange rate for the period. Translation gains and losses were reflected in the statement of operations.

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 that stock options granted to employees and non-employees be accounted for at fair value. This section also permits, and the Company adopted, the use of the intrinsic value-based method for valuing stock options granted to employees. Under this method, compensation cost for options granted to employees is recognized only when the market price exceeds the exercise price at the date of grant. However, pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted is required.

During the current year, the Company adopted, on a prospective basis, the fair value based method of accounting for all stock-based compensation.

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 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.

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

Future income taxes

Future income taxes are recorded 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.

SOUTHERN RIO RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 29, 2004

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

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. Capital stock is reduced and future income tax liability increased by the estimated tax benefits transferred to shareholders.

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 29, 2004, a total of \$3,500 (February 28, 2003 - \$3,500) had been lodged with the British Columbia Ministry of Energy and Mines.

4. EQUIPMENT

	February 29, 2004			February 28, 2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 17,560	\$ 11,269	\$ 6,291	\$ 17,560	\$ 9,696	\$ 7,864

SOUTHERN RIO RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 29, 2004

5. MINERAL PROPERTIES

The Company holds interests in various mineral claims as follows:

	February 29, 2004	February 28, 2003
Tam property, British Columbia, Canada		
A 100% interest. The property is subject to a 1% net smelter returns royalty ("NSR").	\$ 5,700	\$ 5,700
Tsacha property, British Columbia, Canada		
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 and issue 400,000 common shares over a three year period. The Company issued 100,000 shares at a value of \$15,000 and staked additional claims at a cost of \$1,630 in fiscal 2003 and issued 100,000 shares at a value of \$15,000 in the current year. The property is subject to varying NSR, one half of which may be purchased back at any time for \$2,000,000.	31,630	16,630
Taken property, British Columbia, Canada		
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 and issue 200,000 common shares over a four year period. The Company issued 40,000 shares at a value of \$4,000 in fiscal 2003 and issued 40,000 shares at a value of \$4,000 in the current year. The property is subject to a sliding scale NSR ranging from 2% to 4%.	8,000	4,000
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 NSR ranging from 1.5% to 3%.		
During the current year, the Company optioned 50% of its interest to a company with a common director. To acquire its interest, the optionee must pay \$75,000, incur \$1,000,000 in exploration expenditures and issue 200,000 common shares over a three year period. To acquire an additional 15%, the optionee must pay \$50,000, incur \$1,500,000 in exploration expenditures and issue 200,000 common shares within two years from the date the initial 50% interest is earned. To date, the optionee has paid \$10,000.	35,000	45,000
Duke property, British Columbia, Canada		
An option to acquire a 100% interest in certain claims. To date the Company has paid \$5,400 and issued 25,000 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% NSR.	7,900	7,900

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SOUTHERN RIO RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 29, 2004

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

	February 29, 2004	February 28, 2003
<i>Continued...</i>		
Bond & Johnson property, Ontario, Canada		
An option to acquire a 100% interest in certain claims. To date, the Company paid \$5,000 and issued 50,000 shares at a value of \$7,500 in fiscal 2003 and paid \$5,000 and issued 50,000 shares at a value of \$7,500 in the current year. The property is subject to a 2.5% NSR, 1.5% of which may be purchased back at any time for \$1,500,000.	25,000	12,500
Trout property, British Columbia, Canada		
An option to acquire a 100% interest in certain claims. In order to acquire the claims, the Company must pay \$25,000, incur \$200,000 in exploration expenditures and issue 175,000 common shares over a three year period. During the current year, the Company paid \$5,000, issued 25,000 shares at a value of \$3,750 and staked additional claims at a cost of \$4,370. The property is subject to a 2% NSR, one half of which may be purchased back at any time for \$750,000.	13,120	-
Uduk Lake property, British Columbia, Canada		
A 100% interest. To acquire its interest, the Company issued 150,000 common shares at a value of \$22,500 during the current year. The property is subject to a 3% NSR, 2% of which may be purchased back at any time for \$2,000,000.	22,500	-
Sam property, British Columbia, Canada		
A 100% interest by staking.	5,616	3,189
Dani property, British Columbia, Canada		
An option to acquire a 100% interest in certain claims. During the current year, the Company abandoned all claims. Acquisition costs of \$10,425 and related deferred exploration costs of \$23,754 were written off to operations.	-	10,425
Tim property, British Columbia, Canada		
A 100% interest by staking. During the current year, the Company abandoned all claims. Acquisition costs of \$1,630 and related deferred exploration costs of \$260 were written off to operations.	-	1,630
	<u>\$ 154,466</u>	<u>\$ 106,974</u>

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.

SOUTHERN RIO RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 29, 2004

6. DEFERRED EXPLORATION COSTS

2004	Tam Property	Tsacha Property	Taken Property	Minnitaki Property	Duke Property	Dani Property	Other	Total
Balance, beginning of year	\$ 99,789	\$ 240,915	\$ 24,039	\$ 188,312	\$ 10,968	\$ 17,731	\$ 33,635	\$ 615,389
Data evaluation	-	-	-	-	-	2,815	-	2,815
Data management	3,975	5,780	1,252	-	-	-	-	11,007
Drilling	543,840	221,989	8,942	-	-	-	-	774,771
Field sampling	14,964	7,070	29,534	-	-	-	-	51,568
Geology	20,257	23,339	8,991	6,566	185	2,502	10,090	71,930
Geophysics	16,005	591	14,376	-	-	-	17,410	48,382
Land retention	160	9	1,025	-	9	706	2,663	4,572
Land permitting	1,359	1,080	-	-	-	-	-	2,439
	600,560	259,858	64,120	6,566	194	6,023	30,163	967,484
Written off during the year	-	-	-	-	-	(23,754)	(260)	(24,014)
	600,560	259,858	64,120	6,566	194	(17,731)	29,903	943,470
Balance, end of year	\$ 700,349	\$ 500,773	\$ 88,159	\$ 194,878	\$ 11,162	\$ -	\$ 63,538	\$ 1,558,859

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

SOUTHERN RIO RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 29, 2004

7. RELATED PARTY TRANSACTIONS

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

- a) Paid or accrued \$42,000 (February 28, 2003 - \$42,000) for administration fees to a company controlled by a director.
- b) Paid or accrued \$18,000 (February 28, 2003 - \$18,000) for rent to a company controlled by a director.
- c) Paid or accrued \$22,996 (February 28, 2003 - \$16,644) for professional fees to a law firm in which an officer of the Company is a partner.
- d) Paid or accrued \$79,263 (February 28, 2003 - \$73,650) for management fees to a company controlled by a director.
- e) Paid or accrued \$9,573 (February 28, 2003 - \$76,000) for stock-based compensation to directors and officers of the Company.
- f) Received \$10,000 from a company with a common director relating to the Minnitaki property option agreement (Note 5).
- g) Issued 377,438 units, each unit consisting of one common share and one share purchase warrant, to a law firm in which an officer of the Company is a partner as a debt settlement (Note 8).

These transactions were in the normal course of operations and were 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 due to companies controlled by directors and to a law firm in which an officer of the Company is a partner. The amounts are non-interest bearing, unsecured with no specific terms of repayment.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares		Capital Stock		Contributed Surplus
Authorized					
50,000,000 common shares without par value					
Issued					
As at February 28, 2002	22,076,514	\$	8,215,626	\$	-
For cash - options exercised	700,000		105,000		-
For cash - warrants exercised	78,584		15,717		-
For cash - private placements	7,698,173		1,389,702		-
Share issue costs	-		(98,597)		-
For mineral property options	264,500		36,425		-
Stock-based compensation	-		-		106,444

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SOUTHERN RIO RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 29, 2004

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

	Number of Shares		Capital Stock		Contributed Surplus
<i>Continued...</i>					
As at February 28, 2003	30,817,771	\$	9,663,873	\$	106,444
For cash - options exercised	100,000		15,000		-
For cash - warrants exercised	1,248,434		255,022		-
For cash - private placements	7,439,975		1,050,113		243,679
Finders' fees	160,000		24,000		54,742
Share issue costs	-		(124,861)		-
For mineral property options	365,000		52,750		-
For settlement of debt	377,438		33,137		12,156
Stock-based compensation	-		-		9,573
As at February 29, 2004	40,508,618	\$	10,969,034	\$	426,594

On September 2, 2003, the Company agreed to a debt settlement of \$45,293 with a law firm in which an officer of the Company is a partner. The Company issued 377,438 units at a price of \$0.12 per unit. Each unit consisted of one common share and one share purchase warrant exercisable into an additional common share at \$0.15 per share until September 2, 2004 and \$0.18 per share until September 2, 2005. The share purchase warrants issued as part of the debt settlement have been recorded at a fair value of \$12,156, which is included in contributed surplus.

On September 3, 2003, the Company issued 1,000,000 flow-through units at a price of \$0.10 per unit in a non-brokered private placement. Each flow-through unit consisted of one flow-through common share and one-half of a common share purchase warrant. Each whole common share purchase warrant is exercisable into an additional common share at \$0.125 per share until March 4, 2005. The share purchase warrants issued as part of this private placement have been recorded at a fair value of \$10,826, which is included in contributed surplus. Finders' fees included the Company paying \$8,000, and issuing 100,000 warrants exercisable into additional common shares at \$0.125 per share until March 4, 2005. The finders' warrants have been recorded at a fair value of \$2,166, which is included in contributed surplus.

On November 28, 2003, the Company issued 5,100,000 units at a price of \$0.15 per unit in a non-brokered private placement. Each unit consisted of one common share and one-half common share purchase warrant. Each whole common share purchase warrant is exercisable into an additional common share at \$0.20 per share until November 28, 2004. The share purchase warrants issued as part of this private placement have been recorded at a fair value of \$152,350 which is included in contributed surplus. Finders' fees included the Company paying \$38,119, issuing 160,000 common shares at a value of \$24,000 and issuing 880,000 warrants exercisable into additional common shares at \$0.20 per share until November 28, 2004. The finders' warrants have been recorded at a fair value of \$52,576, which is included in contributed surplus.

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FEBRUARY 29, 2004

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

On December 23, 2003, the Company issued 1,339,975 flow-through units at a price of \$0.32 per unit in a non-brokered private placement. Each flow-through unit consisted of one flow-through common share and one-half of a common share purchase warrant. Each whole common share purchase warrant is exercisable into an additional common share at \$0.42 per share until December 23, 2004 and \$0.50 per share until December 23, 2005. The share purchase warrants issued as part of this private placement have been recorded at a fair value of \$80,503, which is included in contributed surplus.

As at February 29, 2004 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 29, 2004:

Number of Shares	Exercise Price	Expiry Date
250,000	\$ 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
600,000	0.15	October 7, 2008
150,000	0.27	February 13, 2009

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

	Number of Options	Weighted Average Exercise Price
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	0.18
Granted	750,000	0.18
Exercised	(100,000)	0.15
Expired/cancelled	(250,000)	0.15
Outstanding, February 29, 2004	2,600,000	\$ 0.18
Options exercisable, February 29, 2004	1,950,000	\$ 0.18

SOUTHERN RIO RESOURCES LTD.
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9. STOCK OPTIONS AND WARRANTS (cont'd...)

Stock-based compensation

The Company granted 750,000 (2003 – 1,100,000) stock options during the year of which 100,000 are vested and exercisable at February 29, 2004, resulting in a fair value using the Black-Scholes option-pricing model of \$9,573 (2003 - \$106,444). This amount was also recorded as contributed surplus on the balance sheet. The weighted average fair value of the stock options granted during the year ended February 29, 2004 was \$0.10 per share.

During the year ended February 28, 2003, the Company accounted for the granting of stock options to employees using the intrinsic value-based method. Had the Company used the fair value-based method to account for the granting of stock options, additional compensation expense of \$184,435 would have been recorded in the statement of operations. Loss for the year would have been \$558,010 and basic and diluted loss per common share would have been \$0.02

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

	2004	2003
Risk-free interest rate	2.97%	4.42%
Expected life	5 years	3 years
Annualized volatility	83.31%	208.73%
Dividend rate	0.00%	0.00%

Warrants

As at February 29, 2004, the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,479,000	\$ 0.25	December 31, 2004
2,545,066	0.25	January 31, 2005
600,000	0.125	March 4, 2005
377,438	0.15	September 2, 2004
	then at 0.18	September 2, 2005
3,430,000	0.20	November 28, 2004
669,987	0.42	December 23, 2004
	then at 0.50	December 23, 2005

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10. LOSS ON DISPOSAL OF SUBSIDIARY

On December 22, 2003, the Company disposed of its wholly owned inactive subsidiary, Minera, for proceeds of \$19,320. Of the proceeds received, \$11,437 was paid to a third party for completing the sale on behalf of the Company, resulting in net proceeds of \$7,883.

The loss on disposal of Minera was determined as follows:

Current assets	\$ 51,365
Current liabilities	<u>(14,430)</u>
	36,935
Net proceeds received	<u>(7,883)</u>
Loss on disposal	<u>\$ 29,052</u>

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended February 29, 2004 included:

- a) 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).
- 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 50,000 common shares, with a value of \$7,500 as consideration towards the acquisition of the Bond & Johnson property in Ontario (Note 5).
- d) The issuance of 25,000 common shares, with a value of \$3,750 as consideration towards the acquisition of the Trout property in British Columbia (Note 5).
- e) The issuance of 150,000 common shares, with a value of \$22,500 as consideration towards the acquisition of the Uduk Lake property in British Columbia (Note 5).
- f) The Company issuing 160,000 common shares valued at \$24,000 and 980,000 warrants with a fair value of \$54,742 as finders' fees relating to private placements. The fair value of the warrants was allocated to contributed surplus.

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

- a) 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).
- 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).

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

Significant non-cash transactions for the year ended February 28, 2003 included (cont'd...)

- c) 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).
- 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).

12. INCOME TAXES

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

	February 29, 2004	February 28, 2003
Loss before income taxes	\$ (387,066)	\$ (373,575)
Expected income tax recovery	\$ (137,795)	\$ (140,464)
Non-deductible items	25,046	1,321
Stock-based compensation	3,408	40,023
Unrecognized benefit of net operating losses carried forward	109,341	99,120
Total current income tax recovery	\$ -	\$ -

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

	February 29, 2004	February 28, 2003
Future income tax assets		
Equipment	\$ 3,100	\$ 2,300
Mineral properties and deferred exploration costs	830,000	965,000
Losses available for future periods	377,000	462,000
	1,210,100	1,429,300
Valuation allowance	(1,210,100)	(1,429,300)
Net future income tax asset (liability)	\$ -	\$ -

SOUTHERN RIO RESOURCES LTD.
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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 (cont'd...)

The Company has not recorded in these financial statements, the future income tax benefits of approximately \$1,122,000 of non-capital losses which may be applied to reduce taxable income in future years. If not utilized, the losses expire through 2011. In addition, the Company has exploration and development expenditures of approximately \$4,186,000 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 2,339,975 common shares on a flow-through basis for gross proceeds of \$528,792. 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 \$528,792 by December 31, 2003. As at February 29, 2004, proceeds from flow-through financing of \$483,959 (2003 - \$312,613) are restricted for future use on Canadian exploration expenditures.

13. SEGMENTED INFORMATION

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

	February 29, 2004	February 28, 2003
Loss for the year:		
Chile	\$ (29,052)	\$ -
Canada	<u>(358,014)</u>	<u>(373,575)</u>
	<u>\$ (387,066)</u>	<u>\$ (373,575)</u>
Identifiable assets:		
Chile	\$ -	\$ 57,451
Canada	<u>2,683,758</u>	<u>1,341,576</u>
	<u>\$ 2,683,758</u>	<u>\$ 1,399,027</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.

SOUTHERN RIO RESOURCES LTD.
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15. SUBSEQUENT EVENTS

The following events occurred subsequent to February 29, 2004:

- a) The Company issued 100,000 common shares, with a value of \$25,500 as consideration towards the acquisition of the Tsacha property in Note 5.
- b) The Company issued 40,000 common shares, with a value of \$10,800 as consideration towards the acquisition of the Taken property in Note 5.
- c) The Company issued 25,000 common shares, with a value of \$6,750 as consideration towards the acquisition of the Trout property in Note 5.



British Columbia Securities Commission

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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.
FOR QUARTER ENDED: 04 | 02 | 29
DATE OF REPORT: 04 | 04 | 02
ISSUER ADDRESS: 1410 - 650 WEST GEORGIA STREET, PO BOX 11584
CITY: VANCOUVER, PROVINCE: 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: 04 | 05 | 03
DIRECTOR'S SIGNATURE: "RANDY C. TURNER", PRINT FULL NAME: RANDY C. TURNER, DATE SIGNED: 04 | 05 | 03

SOUTHERN RIO RESOURCES LTD.
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SCHEDULE A: FINANCIAL INFORMATION

See attached audited consolidated financial statements for the year ended February 29, 2004.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. Analysis of expenses and deferred costs:

See attached audited consolidated financial statements for the year ended February 29, 2004.

2. Related party transactions:

See Note 7 of the attached audited consolidated financial statements for the year ended February 29, 2004.

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 17, 2003	Common shares	Property payment	40,000	\$ 0.10	\$ 4,000	Property	\$ Nil
March 26, 2003	Common shares	Property payment	100,000	0.15	15,000	Property	Nil
April 16, 2003	Common shares	Property payment	50,000	0.15	7,500	Property	Nil
May 20, 2003	Common shares	Property payment	25,000	0.15	3,750	Property	Nil
June 24, 2003	Common shares	Property payment	150,000	0.15	22,500	Property	Nil
September 2, 2003	Units	Debt settlement	377,438	0.12	45,293	Debt	Nil
September 3, 2003	Units	Private placement	1,000,000	0.10	100,000	Cash	Nil
November 12, 2003	Common shares	Options exercised	100,000	0.15	15,000	Cash	Nil
November 28, 2003	Units	Private placement	5,100,000	0.15	765,000	Cash	24,000
November 28, 2003	Common shares	Finder's shares	160,000	0.15	24,000	Finder's fees	Nil
December 5, 2003	Common shares	Warrants exercised	100,000	0.21	21,000	Cash	Nil
December 17, 2003	Common shares	Warrants exercised	121,000	0.21	25,410	Cash	Nil
December 22, 2003	Common shares	Warrants exercised	262,500	0.21	55,125	Cash	Nil
December 23, 2003	Units	Private placement	1,339,975	0.32	428,792	Cash	Nil
December 31, 2003	Common shares	Warrants exercised	50,000	0.21	10,500	Cash	Nil
January 23, 2004	Common shares	Warrants exercised	100,000	0.20	20,000	Cash	Nil
January 27, 2004	Common shares	Warrants exercised	116,267	0.20	23,253	Cash	Nil
January 30, 2004	Common shares	Warrants exercised	498,667	0.20	99,734	Cash	Nil

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

Date	Optionee	Number of Options	Exercise Price	Expiry Date
October 7, 2003	Lindsay Bottomer	200,000	\$ 0.15	October 7, 2008
October 7, 2003	Randy Turner	100,000	0.15	October 7, 2008
October 7, 2003	John McDonald	100,000	0.15	October 7, 2008
October 7, 2003	Wayne Beach	100,000	0.15	October 7, 2008
October 7, 2003	Robert Watts	100,000	0.15	October 7, 2008
February 13, 2004	Employees	50,000	0.27	February 13, 2009
February 13, 2004	Consultants	100,000	0.27	February 13, 2009
		750,000		

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

4. As at the end of the reporting period:
- a) Authorized capital stock: 50,000,000 common shares without par value
 - b) Shares issued and outstanding:

	Number of Shares	Amount
Balance, February 29, 2004	40,508,618	\$ 10,969,034

- c) Options, warrants and convertible securities outstanding:
See Note 9 of the attached consolidated audited financial statements for the year ended February 29, 2004.
- 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 – CFO and Director
Wayne G. Beach – Director
John A. McDonald – Director
Robert Watts - Director
Graham Scott – Secretary

SCHEDULE C: MANAGEMENT DISCUSSION

Overview

Southern Rio is a mineral exploration company listed on the TSX Venture stock exchange under the symbol “SNZ”. The company is focused on exploration for gold, silver and copper, principally in the Cordillera of British Columbia. It also holds a gold property in northwest Ontario, and a silver property in the Yukon.

During most of the 1990s, Southern Rio was exploring offshore in South America. Along with a change in management in mid-2001 came a change of geographic focus from South America to Canada. This was made due to (1) the known geological potential of Canada for precious metal deposits; (2) a deteriorating financing climate for junior exploration companies with early stage offshore projects; (3) an improving financing climate in Canada due to changes to the regulations governing flow-through financing; and (4) a change of government accompanied by a more support for mineral exploration in British Columbia.

Southern Rio currently owns, or has the option to earn a majority ownership in, seven mineral properties in British Columbia, one property in Ontario, and one property in the Yukon. All of the British Columbia properties consist of staked claims, while the Ontario property consists of both staked and patented claims, and the Yukon property consists of mining leases.

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

Overview (cont'd...)

The current main focus is on three contiguous properties, the Tsacha, Tam and Taken properties, located in central BC which collectively cover approximately 34 square kilometers and are referred to as the **3Ts Project**. During the year, Southern Rio completed two core drilling programs totaling approximately 6,806 metres on the 3Ts Project. These programs targeted seven separate areas, testing for new areas of gold-silver mineralization in bedrock or extensions of known mineralization. Further work is planned in five of these areas where encouraging results were returned.

The company owns, or has the right to earn a majority interest in, three other gold-silver properties in central BC. Small work programs were conducted on all three properties during the year, and further work is planned in the coming year. The seventh BC property is the Duke copper-gold property in the southern part of the province. No work was carried out on it during the current year, but with the substantial recent increase in the price of copper, the company plans to reactivate this property in 2004. In addition, Southern Rio owns, or has the right to earn a majority ownership, in two additional properties, one in the Yukon, and the other in Ontario. No field programs were conducted on either property during the year.

Southern Rio currently does not have any producing operations, and consequently no operating income or cash flow. Further exploration of its properties is therefore dependent on its ability to access public equity markets to raise sufficient capital, and/or its ability to attract joint venture partners to finance further work on its properties. During the past year, a combination of rising commodity prices and improved political climate for mineral exploration in BC allowed the Company to raise sufficient funds to explore and advance its key projects. While the equity markets remain positive for junior exploration financings, there is no guarantee that this situation will continue into the future.

Selected Annual Information

The following table sets forth selected financial information for Company for the last three financial years ended February 28, 2002, February 28, 2003 and February 29, 2004. This information has been derived from the Company's audited financial statements for each of those years, and should be read in conjunction with those financial statements and the notes thereto.

	2004	2003	2002
(a) Net sales or total revenues	\$Nil	\$Nil	\$Nil
(b) Income (loss) from continuing operations:			
in total	\$(327,100)	\$(377,888)	\$(318,578)
on a per share basis	\$(0.01)	\$(0.01)	\$(0.01)
(c) Net income (loss):			
in total	\$(387,066)	\$(373,575)	\$(2,029,283)
on a per share basis	\$(0.01)	\$(0.01)	\$(0.10)
(d) Total assets	\$2,683,758	\$1,399,027	\$176,448
(e) Total long-term financial liabilities	\$Nil	\$Nil	\$Nil
(f) Cash dividends declared per share	n/a	n/a	n/a

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

Quarterly Results (cont'd...)

Per share amounts are calculated using the weighted average number of shares outstanding. Fully diluted loss per share amounts have not been calculated, as they would be anti-dilutive.

Liquidity and Capital Resources

Financing

During the year ended February 29, 2004, the Company completed three financings.

The first was a non-brokered private placement of 1,000,000 units at \$0.10 per unit, each unit comprised of one flow-through common share and one half of a non-flow through share purchase warrant, was completed in August 2004 for gross proceeds of \$100,000. Each whole share purchase warrant will entitle the holder to purchase one additional non-flow through common share of the Company at a price of \$0.125 per share for a period of 18 months from the closing date.

In November 2003, the Company completed a private placement for a total of 5,100,000 units at \$0.15 per unit, each unit comprised of one common share and one half of a share purchase warrant, was completed in November 2003 for gross proceeds of \$765,000. Each whole share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.20 for a period of 12 months from the closing date. Canaccord Capital Corporation acted as agent for part of the financing, and received a commission comprised of \$24,000 cash, 80,000 units and 800,000 warrants.

In December 2003, the Company completed a non-brokered private placement for a total of 1,339,975 units, each unit comprised of one flow through common share and one half of a non-flow through share purchase warrant, for gross proceeds of \$428,792. Each whole share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.42 per share during the first 12 months from the closing date, and at a price of \$0.50 per share during the remainder of the 24 month period from the closing date.

In addition, during the year a total of \$255,022 was received from the exercise of warrants, and \$15,000 from the exercise of options.

The proceeds of the flow through financings will be used to conduct exploration on the Company's Canadian properties. The proceeds from the non-flow through financings will be used to conduct exploration on the Company's current properties, the acquisition of new properties, to provide general working capital and for debt reduction.

Working Capital and Operating Expenditures

For the fiscal year ended February 29, 2004, the Company had a net loss of \$387,066 or \$0.01 per share compared with the loss of \$373,575 or \$0.01 per share for the corresponding period in the previous year. The Company had working capital of \$629,681 as at February 29, 2004 compared to working capital of \$382,873 as at February 28, 2003.

The Company had general and administrative expenses of \$327,100 as at February 29, 2004 compared to \$377,888 during the same period in 2003.

The Company incurred deferred exploration expenditures of \$967,484 during this period compared with \$592,528 during the same period in 2003.

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

Working Capital and Operating Expenditures (cont'd...)

As at February 29, 2004 the Company had sufficient funds on hand to cover all operating and committed property expenditures due within the next twelve months. However, it is the Company's intention to raise additional funds to enable it to advance its properties, particularly the 3Ts project, and to evaluate and acquire additional properties of merit.

Related Party Transactions

See Note 7 of the accompanying audited financial statements for the year ended February 29, 2004 for a summary of the routine transactions entered into by the Company with related parties. Non-routine transactions included:

- a) paid or accrued \$9,573 (February 28, 2003 - \$76,000) for stock-based compensation to directors and officers of the Company.
- b) received \$10,000 from a company with a common director relating to the Minnitaki property option agreement. During the fiscal year ended February 29, 2004, the Company optioned 50% of its interest to a company with a common director. To acquire its interest, the optionee must pay \$75,000, incur \$1,000,000 in exploration expenditures and issue 200,000 common shares over a three year period. To acquire an additional 15%, the optionee must pay \$50,000, incur \$1,500,000 in exploration expenditures and issue 200,000 common shares within two years from the date the initial 50% interest is earned. To date, the optionee has paid \$10,000.
- c) issued 377,438 units, each unit consisting of one common share and one share purchase warrant, to a law firm in which an officer of the Company is a partner as a debt settlement. The Company agreed to a debt settlement of \$45,293 with a law firm in which an officer of the Company is a partner. The Company issued 377,438 units at a price of \$0.12 per unit. Each unit consisted of one common share and one share purchase warrant exercisable into an additional common share at \$0.15 per share until September 2, 2004 and \$0.18 per share until September 2, 2005. The share purchase warrants issued as part of the debt settlement have been recorded at a fair value of \$16,616, which is included in contributed surplus.

Amounts due to related parties at February 29, 2004 of \$14,250 (February 28, 2003 - \$229,785) are due to companies controlled by directors and to a law firm in which an officer of the Company is a partner. The amounts are unsecured with no specific terms of repayment.

Resource Properties

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

During the year, two new properties (Trout and Uduk Lake) were acquired, and two properties (Tim and Dani) were written off.

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

3Ts Project

The 3Ts project consists of three contiguous properties – the Tsacha, Tam and Taken properties located in the Nechako Plateau region of central British Columbia. Collectively, the project consists of eight mineral claims totaling 118 units.

The Tsacha property is under option from Teck Cominco Limited and consists of five mineral claims totaling 84 units. The Company may earn a 100% interest in the property by incurring an aggregate of \$1.2 million in expenditures and issuing a total of 400,000 shares of the Company by March 31, 2005, subject to a sliding scale NSR royalty and back-in right reserved to Teck Cominco Limited. To February 29, 2004 the Company has completed the required year 1 exploration expenditures of \$200,000 and issued Teck Cominco 200,000 shares

The Taken property is under option to the Company from Phelps Dodge Corporation of Canada Limited and consists of one mineral claim of 20 units. Southern Rio may acquire a 100% interest by incurring an aggregate of \$250,000 in expenditures and issuing a total of 200,000 shares of the Company by March 18, 2006. Phelps Dodge retains a sliding scale NSR royalty interest. To February 29, 2004, the Company has issued 80,000 shares as required under the agreement.

The Tam property consisting of two mineral claims totaling 14 units is owned 100% by Southern Rio, subject to a 1% NSR royalty to Kleinebar Resources Ltd. The Company acquired the property for a consideration of \$4,700 cash and 10,000 shares.

During the year and through to March 2004, the Company carried out two core drilling programs on the 3Ts project, completing 40 holes totaling 6,806 metres. These programs tested seven separate target areas covering all three of the contiguous properties, with the bulk of the drilling (30 holes, 4,115 metres) on the Tam property, nine holes totaling 2,449 metres on the Tsacha property, and one hole totaling 241 metres on the Taken property. In addition, geological mapping, prospecting, mechanical trenching, geochemical sampling and ground geophysical surveys were carried out over portions of the project area. The prospecting program located a number of areas of high-grade mineralized boulders at surface, mainly on the southeastern portion of the project area. Follow-up drilling in the area of the Ringer Zone mineralized boulders located a new mineralized vein system (Hidden Vein) in bedrock below approximately 25 metres of glacial cover. This represents the first new vein discovery in the project area since 1995. Further drilling on the Ted Vein (Tam property) was carried out to provide sufficient data to carry out an initial resource calculation to NI 43-101 standards. The independent resource calculation is now underway, with results expected in May 2004. Further drilling of the Tommy Vein (Tsacha property) returned a significant intersection (11.31 metres grading 8.83 grams/tonne gold and 62.6 grams/tonne silver) approximately 120 metres below the limit of the currently established resources, suggesting good potential to extend mineralization and add to resources at depth. This area will be targeted for further drilling to be proposed in the coming year.

Exploration expenditures totaling \$924,538 were incurred on the 3Ts project during the year ending February 29, 2004. Of these, \$600,560 were on the Tam property, \$259,858 on the Tsacha property and \$64,120 on the Taken property.

Sam Property

The Sam property was acquired by staking and is owned 100% by Southern Rio. It consists of three mineral claims totaling 52 units located 70 kilometres south of the town of Burns Lake in central British Columbia. During the year ended February 29, 2004, the Company carried out a program of prospecting followed by line-cutting and ground geophysical surveying over portion of the property, incurring expenditures totaling \$22,165.

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

Uduk Lake Property

During the year, the Company acquired a 100% interest in the Uduk Lake property in central British Columbia from Atna Resources Ltd. for a consideration of 150,000 shares of the Company. Atna retains a 3% NSR royalty interest. The property consists of three mineral claims totaling 32 units, located 80 kilometres southwest of the town of Burns Lake, British Columbia. In late summer 2003, a field visit and geological evaluation of the property was carried out. Expenditures during the year totaled \$698.

Trout Property

The Trout property, consisting of four mineral claims totaling four units, was optioned during the year. Southern Rio may acquire a 100% interest in the Trout property by making cash payments totaling \$25,000, incurring exploration expenditures totaling \$200,000, and issuing 175,000 shares to the vendor over a three year period. Subsequently, two additional claims totaling 32 units were staked contiguous with the four optioned claims, and added to the project. During the current year, a field visit and evaluation of data from past work on the property was completed, and a drill program is planned for April 2004. Expenditures in the year ending February 29, 2004 total \$1,040.

Duke Property

The 100%-owned Duke property, consisting of one mineral claim totaling 20 units, is located 20 kilometres west of Merritt in southern British Columbia. The main commodity target on the property is copper, and with the recent substantial increase in the price of copper, the Company hopes to reactivate this project in 2004. There was no activity on the property during the year ending February 29, 2004.

Minnitaki Property

The Minnitaki property is located in northwestern Ontario. Southern Rio owns or may acquire a 100% interest in six patented and 27 unpatented claims located approximately 20 kilometres southwest of the town of Sioux Lookout, Ontario.

Late in the year, an option and joint venture agreement was signed with CRMnet.com Inc. ("CRM") whereby CRM may earn up to a 65% interest in the Minnitaki property. CRM may earn an initial 50% interest by making cash payments totaling \$75,000, issuing 200,000 shares and completing \$1 million in exploration expenditures within three years of regulatory approval of the transaction. After earning the initial 50% interest, CRM may elect to earn a further 15% interest (65% total interest) by making an additional cash payment of \$50,000, issuing an additional 200,000 shares and incurring an additional \$1.5 million in exploration expenditures within five years of the date of regulatory approval.

To February 29, 2004, CRM has made an initial \$10,000 cash payment, but has not obtained regulatory approval for the transaction. Subsequently, on April 2, 2004 the Company issued a default letter to CRM, which was acknowledged by CRM on April 15, 2004. CRM was unable to remedy the default, and the agreement has been terminated by mutual consent.

During the year, no work was carried out on the property. Costs incurred, mainly for property maintenance and preliminary negotiations with prospective partners, amounted to \$6,566.

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

Mayo Property

The Company owns 20 quartz mining leases in the Keno Hill silver mining camp of the Mayo Mining Division, Yukon Territory. No work was carried out on the leases during the year ended February 29, 2004.

Management

At the Company's Annual General Meeting held on July 29, 2003, Lindsay Bottomer, Randy Turner, John McDonald, Wayne Beach and Simon Ridgway were re-elected as Directors of the Company. Lindsay Bottomer was re-elected as President and CEO, Randy Turner as CFO and Graham Scott as Corporate Secretary. In August 2003 Simon Ridgway resigned as a Director, but remains as a consultant to the Company. Also in August 2003, Robert Watts agreed to join the Company's Board of Directors. Mr. Watts brings over 40 years of experience in the mining industry, and has held senior positions with a number of mining groups including Placer Dome Inc., Orvana Minerals Corp. and Princeton Mining Corp.

Risk Factors

The prices of major mineral commodities such as copper, gold and silver may be affected by many factors beyond the control of the Company, and events which cannot be accurately predicted such as political and economic instability, terrorism, environmental factors, and changes in government regulations and taxes.

The Company is dependent on equity market financings to fund its exploration programs and maintain its mining properties in good standing. During the past year, the Company was successful in being able to raise the necessary funds, but there is no assurance that this will continue to be the case in the future.

Most of the Company's projects are located in the province of British Columbia. There is no assurance that the current or future governments will not change environmental regulations, taxes or mineral royalties in a manner that could have an adverse effect on the Company's financial condition and ability to raise further funds for exploration.

The Company's main project, the 3Ts Project, is located in the Nechako Plateau of central British Columbia. This region is the centre of a major infestation of the mountain pine beetle, which has resulted in large areas of the forest cover dying. The combination of large amounts of dead timber and summer weather conditions could result in an increased risk of major forest fires in the area which contains the Company's major project.

Investor Relations Activities

During the year, the Company has provided information to shareholders, investors, brokers and analysts directly and through its website at www.southernrio.com. Since April, 2003 the Company has retained Jeffery Wilson to provide investor relations services at a cost of \$4,000 per month.

Subsequent Events and Objectives for 2004

Subsequent to February 29, 2004, the Company completed the winter drilling program on the 3Ts project underway at year-end, and initiated an ore resource calculation for the Ted Vein on the Tam property. The ore resource calculation is being carried out by an independent consultant in compliance with NI 43-101.

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

Subsequent Events and Objectives for 2004 (cont'd...)

In March 2004, the Company made the required cash and/or share payments to maintain the Taken, Tsacha and Trout option agreements in good standing.

In April 2004, the Company issued a default notice to CRMnet.com Inc. ("CRM") regarding the agreement between the Company and CRM covering the Minnitaki property. CRM was unable to cure the default, and the agreement was terminated by mutual consent of the two parties.

It is anticipated that much of the Company's efforts will continue to be focused on the 3Ts project during the coming year. The Company will also continue to assess potential new properties, with a focus on gold, silver and copper as the prime commodities of interest.

The Company will also endeavor to strengthen its financial position by completing additional financings on advantageous terms.

The Board of Directors wishes to thank all shareholders for their continued interest and support over the past year.