Mindoro Resources Ltd.

Consolidated Financial Statements

December 31, 2002 and 2001

The following discussions should be read in conjunction with the accompanying financial statements and related notes.

OVERVIEW

Mindoro Resources Ltd., ("Mindoro" or "the Company") is a Canadian-based mineral exploration and development company holding interests in the Philippines. The primary corporate objective is the acquisition, exploration and, when successful, development and production of gold and gold-copper properties in the Asia-Pacific region. There is no commercial production from any mineral property in which Mindoro has an interest. There is no established source of revenue and the Company presently operates at a loss. All operations have been funded by equity subscriptions. Revenue for the current period was derived from interest income. All project expenditures are capitalized in deferred exploration where, upon development of an operating mine, these expenses can be recovered against income from operations. If the Company chooses to discontinue exploration activities on a particular property then the to-date expenses are written off against income.

OPERATING RESULTS

Interest income for the year ended December 31, 2002, was $552, down from $4,895 for the year ended December 31, 2001. Net loss of $241,588 was significantly lower than the net loss of $1,195,600 for 2001. This is primarily attributable to a large loss in 2001 as the Company ceased operations on its Tiris Project in Indonesia and wrote off all associated exploration costs in anticipation of disposing of its Indonesian assets. Foreign exchange loss was also considerably less, at $5,489 for the year, down from $24,098 in 2001.

General and administrative expenses were $221,175 in 2002, approximately 39% higher than expenses in 2001 of $158,812. This was mainly attributable to increased marketing activities in 2002. Significant increases occurred in Advertising and Promotion, at $22,260 for the year ended December 31, 2002 compared to $6,415 in 2001, related mainly to production of the Company's annual report and other marketing activities; Travel expenses of $19,879 compared to $2,436 for the same period in 2001; and Conferences and Trade Show expenses of $5,469 compared to just $25 in 2001.

LIQUIDITY AND CASH RESERVES

The Company continues to rely on raising capital in order to fund its ongoing operations. Three equity financings were carried out during the year. As of December 31, 2002, Cash was $158,301. Accounts Payable remained relatively the same, at $147,374, compared to $145,709 as of December 31, 2001. A $6,811 debt owed to one director for consulting services as of December 31 2002 was subsequently satisfied on January 13, 2003, with the issue of 61,922 common shares.
During the year ended December 31, 2002, the Company recorded a $95,000 increase in contributed surplus as 205,000 stock options were issued to settle a liability for outstanding wages payable.

In 2002, the net amount of $267,866 was expended on Investing Activities, with $295,986 spent on Exploration Activities in the Philippines. The majority of activity was on the Pan de Azucar Project, with $250,950 in expenditures. The Company received $30,550 from Proceeds on disposition of subsidiaries, relating to the sale of it's Tiris Project Total amount of deferred exploration on existing properties as at December 31, 2002, is $2,423,263.

During 2001, the Company decided not to continue operations on the Tiris Project and all associated deferred exploration was written down in anticipation of disposing of its Indonesian assets. In May, 2002, the Company sold its wholly-owned subsidiaries, Mindoro Tiris Ltd., and PT Mindoro Tiris Emas and the associated Indonesian assets, including the Tiris Project. Mindoro retains a 0.5% net smelter royalty on the first 500,000 ounces of gold production, 1% on the next 500, 000 ounces, and 1.5% on all subsequent production from the Tiris Project. A $15,476 loss was recorded to Loss on disposition of subsidiaries as a result of the sale of the Tiris Project.

$368,950 was raised during the year ended December 31, 2002, net of issue costs, from three separate equity issues. The first occurred on July 10, wherein the Company issued 1,500,000 units at a price of $0.10 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant. One purchase warrant entitles the holder to purchase one additional common share during the first year for $0.15 and during the second year for $0.30. Net proceeds were allocated to general working capital.

The second issue and third issues took place on September 9 and October 4, 2002, with the issue of 2,114,900 and 421,000 units, respectively, at a price of $0.11 per unit. Each unit consisted of one common share and one non-transferable common share purchase warrant. One purchase warrant entitles the holder to purchase one additional common share during the first year for $0.15 and during the second year for $0.30. Units were offered under the TSX Venture Exchange Short Form Offering Policy (the "Financing"). Wolverton Securities Ltd. (the "Agent") acted as agent in the offering and received commission equal to 10% of the gross proceeds of the Financing and Agent's Warrants equal to 10% of the units issued. Agent's warrants entitle the Agent to purchase one common share from the Company at $0.11 for two years. Net proceeds were designated for advancing Mindoro's projects in the Philippines and for general working capital.

In late 2002, Mindoro reached an innovative agreement with East West Drilling Limited of Australia ("East West") to drill Mindoro's Lobo Project for equity (see news release of November 27, 2002). East West will earn 600,000 shares by completing 1,000 meters (m) of core drilling. Mindoro will pay for mobilization and certain support costs, such as fuel and additives. Drilling on the Lobo project commenced April 5, 2003. East West has the option to enter into a second, identical drill-for-equity agreement on a project of Mindoro's choice within one year of completion of the current drill program.

OUTLOOK

<u>Lobo Project</u>

Recent reconnaissance work on the Lobo Project (see release dated September 16, 2002) outlined two major epithermal vein/breccia systems: the Sampson and Camo Trends, each over 2 km in extent with widely-distributed, high gold-silver-(copper) values and multiple targets. Current drilling is focussing on the SW Breccia Zone (Camo Trend) where high-grade gold was returned over wide intervals from trenching: e.g. 14.5 m (open) of 24.67 g/t gold and 11 m (open) of 19.1 g/t gold.

The Sampson Trend was mined underground on a small scale in the 1960s for copper-gold-silver. On cessation of mining, the Philippines Mines and Geoscience Bureau (1984) reported remaining reserves in the active stopes as 90,700 tonnes at a high grade of 20.5 grams per tonne (g/t) gold, or 60,000 contained ounces. Reconnaissance work in July, 2002, returned up to 3.36 g/t gold, 1,792 g/t silver and 21.6% copper in 1 m rock-chip samples.

<u>Archangel Project</u>

The Archangel Project, 5 km southeast, is extensively mineralized. Mindoro commissioned an independent resource estimate on the Kay Tanda epithermal gold prospect in 2002. This resulted in an inferred resource estimate of 17,000,000 tonnes at 0.68 g/t gold and 2.48 g/t silver, or 370,000 ounces of gold and 1,300,000 ounces silver. The mineralization appears to be open in several directions and contains higher grade sections that have not yet been evaluated. This is a substantial gold resource that warrants further evaluation and a major partner will be sought for Archangel. Mindoro has the right to earn a 75% interest in the Lobo and Archangel Projects from a private Philippine company.

<u>Pan de Azucar Project</u>

AurionGold Limited (formerly Delta Gold) notified Mindoro in July, 2002, that it was withdrawing from the Pan de Azucar Project joint venture. AurionGold had been the target of a takeover bid since May 2002. With AurionGold's withdrawal, Mindoro reverted to its original 75% earning entitlement. The 2001 Phase I drill program at Pan de Azucar's Valderama Prospect, funded by AurionGold, had given encouraging gold-silver-copper-zinc values from a massive pytritic-sulphide deposit discovered by Mindoro.

Subsequent Phase 2 drilling in 2002 was disappointing as results indicated that the copper-gold-silver-zinc mineralization is irregular. However, the Valderama epithermal deposit is inferred to be related to an adjacent porphyry-copper-gold system. A shallow drillhole completed on the adjacent Asparin Hill target intersected alteration and disseminated copper mineralization characteristic of porphyry copper-gold systems. Future work at Pan de Azucar will focus on Asparin Hill and a major partner will be sought for this. Mindoro has the right to earn a 75% interest in the Pan de Azucar Project from a private Philippine company and has earned a 40% interest to date.

<u>Surigao Projects</u>

In September, 2000, the Philex Gold / Anglo American joint venture announced spectacular drill results at their Boyongan prospect in the Surigao Gold District. Subsequent drilling outlined a major porphyry copper-gold deposit. Philex has announced that a second porphyry system has been discovered to the northwest of Boyongan and, possibly, a third porphyry system to the southwest. Given the significance of the Boyongan discovery, it is likely the Surigao Gold District will undergo extensive exploration for new porphyry copper-gold deposits, as well as for epithermal gold deposits.

Mindoro had been exploring four projects in the district since 1997: the Mat-I, Tapian San Francisco, Tapian Main and Agata Projects. On announcement of the Boyongan discovery hole, Mindoro immediately made application for an additional 16,929 hectares of land, to bring total holdings and application lands to approximately 25,044 hectares. This is a strong land position, in a highly prospective district, that is expected to attract joint venture and financing interest as the metal resource market continues to improve. Mindoro has the right to earn a 75% interest in the four Surigao Projects from a private Philippine company and to date has earned a 40% interest in the Agata Project and a 10% interest in each of the Mat-I, Tapian San Francisco and Tapain Main Projects. Mindoro is currently negotiating to extend the earn-in period (which expired in January, 2003) for its final 35% interest in Agata.

New Opportunities

Although the Company's financial future is dependent on new investment, Mindoro is very optimistic that the coming year will provide new opportunities for success. We look forward to the results of drilling at Lobo, particularly within the current market framework of an improving gold price and the renewed interest in mineral resource exploration. Mindoro will continue to evaluate, develop, and seek out joint venture and new financing opportunities to advance its projects in the Philippines and to increase shareholder value.

Mindoro trades on the TSX Venture Exchange under the symbol MIO

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Auditors' Report

To the Shareholders
Mindoro Resources Ltd.

We have audited the consolidated balance sheet of Mindoro Resources Ltd. as at December 31, 2002 and the consolidated statements of loss and deficit and cash flows for the year 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 audit.

We conducted our audit 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 December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at and for the year ended December 31, 2001 were reported on by another firm of chartered accountants who expressed an unqualified opinion in their auditors’ report dated April 5, 2002.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Alberta
March 21, 2003

Mindoro Resources Ltd.
Consolidated Balance Sheets
December 31, 2002 and 2001

	2002	2001
Assets		
Current assets		
Cash	$ 158,301	$ 177,448
Accounts receivable	27,626	37,127
Prepaid expenses	9,567	15,520
Security deposits	-	39,815
	195,494	269,910
Royalty deposits (note 4)	28,086	18,492
Mineral properties and deferred costs (note 5)	2,423,263	2,127,277
Property and equipment (note 6)	19,572	26,709
	$ 2,666,415	$ 2,442,388
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 147,374	$ 145,709
Shareholders' Equity		
Share capital (note 7)	8,219,877	7,873,227
Contributed surplus	117,300	-
Deficit	(5,818,136)	(5,576,548)
	2,519,041	2,296,679
	$ 2,666,415	$ 2,442,388

Approved by the Board,

(signed) "Roger D. Morton" , Director

(signed) "Norman R. Toreson" , Director

Mindoro Resources Ltd.

Consolidated Statements of Loss and Deficit

Years Ended December 31, 2002 and 2001

	2002	2001
Revenue		
Interest	$ 552	$ 4,895
Expenses		
Administration	1,878	1,623
Advertising and promotion	22,260	6,415
Communications	4,485	4,061
Conferences and trade shows	5,469	25
Consulting and professional fees	19,306	17,292
Listing fees and shareholder communications	12,993	15,429
Office	17,565	11,311
Printing	4,101	3,042
Rent	14,322	13,334
Salaries and benefits	89,350	72,446
Travel	19,879	2,436
Depreciation and amortization	9,567	11,398
	221,175	158,812
Loss before the other expenses	(220,623)	(153,917)
Other expenses		
Foreign exchange loss	5,489	24,098
Loss on disposition of subsidiaries (note 3)	15,476	-
Write-down of deferred exploration costs (note 5)	-	1,017,585
	20,965	1,041,683
Net loss	(241,588)	(1,195,600)
Deficit, beginning of year	(5,576,548)	(4,380,948)
Deficit, end of year	$ (5,818,136)	$ (5,576,548)
Net loss per share (note 7[m])		
Basic and diluted	$ (0.01)	$ (0.06)

Mindoro Resources Ltd.

Consolidated Statements of Cash Flows

Years Ended December 31, 2002 and 2001

	2002	2001
Operating activities		
Net loss	$ (241,588)	$ (1,195,600)
Items not affecting cash		
Depreciation and amortization	9,567	11,398
Loss on disposition of subsidiaries	15,476	-
Write-down of deferred exploration costs	-	1,017,585
	(216,545)	(166,617)
Increase in royalty deposits	(9,594)	-
Changes in non-cash working capital	105,908	(9,078)
	(120,231)	(175,695)
Investing activities		
Security deposits	-	35,922
Expenditures on mineral properties and deferred costs	(295,986)	(161,028)
Acquisition of property and equipment	(2,430)	(1,095)
Proceeds on disposition of subsidiaries (note 3)	30,550	-
	(267,866)	(126,201)
Financing activities		
Issue of share capital, net of issuance costs	368,950	335,958
Cash inflow (outflow)	(19,147)	34,062
Cash, beginning of year	177,448	143,386
Cash, end of year	$ 158,301	$ 177,448

1. Nature of operations and going concern

   The Company was incorporated as Bond Resources Inc. under the Business Corporations Act of Alberta on July 12, 1994. On March 25, 1996, the Company changed its name to Mindoro Resources Ltd. The Company's principal activity is the acquisition, exploration and development of mineral properties in the Philippines. To date, no mineral development projects have been completed and no production commenced.

   These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, an underlying assumption being that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

   The continued existence of the Company is dependent upon its ability to obtain additional sources of financing to fund current and future exploration and administrative expenditures, to meet obligations to preserve its interests in existing mineral properties and to achieve commercial production and positive cash flows from operations. Failure to obtain sufficient financing would have an adverse effect on the financial position of the Company and its ability to continue as a going concern.

   If the going concern assumption was not appropriate to these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities and reported revenues and expenses.

2. Significant accounting policies

   (a) Principles of consolidation

   The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, MRL Gold Phils., Inc. (note 3).

   (b) Mineral properties and deferred costs

   Mineral property costs are comprised of initial property acquisition costs and related property option payments. All costs related to the exploration and development of mineral properties are deferred on a property by property basis until commencement of commercial production. The recoverability of the amounts recorded for mineral properties and deferred costs is dependent on the existence of economically recoverable reserves and future profitable production from the mineral properties.

   When properties are brought into commercial production, mineral properties and deferred costs related to a specific mine site will be amortized on a unit-of-production basis over economically recoverable reserves.

   Mineral properties and deferred costs are written down when properties are abandoned or when cost exceeds net realizable value.

No provision for amortization of the amounts carried as mineral properties and deferred costs is included in the accompanying consolidated financial statements, as the properties are yet to reach commercial production.

(c) Property and equipment

Property and equipment are depreciated using the declining balance method at annual rates of 20% to 30% per annum. One-half depreciation is recorded in the year the related asset is acquired.

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

(d) Income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the year of realization.

(e) Diluted income per share

Diluted income per share is calculated using the treasury stock method, whereby it is assumed that proceeds from the exercise of stock options and warrants are used by the Company to repurchase Company shares at the weighted average market price during the year.

(f) Stock-based compensation

Effective January 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for stock-based compensation arrangements. The Company has elected to continue to use the intrinsic value-based method of accounting for its stock option plan (note 7[j]), whereby no compensation expense is recorded for stock options granted to directors, officers and employees. The Company will disclose the pro forma results of using the fair value method, under which compensation expense is recorded based on the estimated fair value of the options as determined at the date of grant. The pro forma results will reflect only the effect of options granted subsequent to January 1, 2002.

The Company accounts for all stock-based compensation payments to non-employees granted on or after January 1, 2002 using the fair value method.

Any consideration received on exercise of stock options is credited to share capital.

(g) Foreign currency translation

The Company follows the temporal method when translating foreign currency transactions and the financial statements of its integrated subsidiary.

Under this method, foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenues and expenses are translated at average exchange rates for the year. Exchange gains or losses on translation of current and non-current monetary items are included in the determination of net income.

(h) Measurement uncertainty

The valuation of the mineral properties and deferred costs and property and equipment are based on management's best estimates of the future recoverability of these assets. The amounts recorded for depreciation and amortization of property and equipment are based on management's best estimates of the remaining useful life and period of future benefit of the related assets. The amounts related to fair values of stock options issued, and the resulting pro forma income effects and recorded share issuance costs (note 7[k]) are based on estimates of future volatility of the Company's share price, expected lives of options, expected dividends to be paid by the Company and other relevant assumptions.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements from changes in such estimates in future periods could be significant.

3. Disposition of Mindoro Tiris Ltd. and PT Mindoro Tiris Emas

Pursuant to a Purchase and Sale Agreement dated May 29, 2002 ("the Agreement"), the Company sold all of the outstanding common shares of its wholly-owned subsidiaries, Mindoro Tiris Ltd. ("Tiris") and PT Mindoro Tiris Emas ("Emas"). Tiris and Emas previously held all Indonesian assets and operations of the Company.

The proceeds of sale were allocated to the estimated fair value of the combined assets and liabilities of Tiris and Emas as follows:

Cash proceeds	$ 30,550
Working capital	6,211
Security deposit - Department of Mines and Energy (Indonesia)	39,815
	46,026
Loss on disposition of subsidiaries	$ (15,476)

Tiris and Emas were inactive during the period January 1, 2001 to May 29, 2002, the effective date of disposition.

Pursuant to the Agreement, the Company has retained a net smelter production royalty ranging from 0.5% to 1.5% of future production, if any, that the purchaser may obtain from bringing the related Indonesian mineral properties into commercial production. No value was attributed to these properties in the above allocation of sales proceeds as the Company ceased all operations on the Indonesian mineral project during the year ended December 31, 2001 (note 5).

4. Royalty deposits

The Company has arrangements with various Philippine landowners to conduct exploration and development activities for several mineral projects (note 5). Under these arrangements, the Company has advanced royalty deposits to these landowners which will be applied against royalties payable on future production, if any, from the related properties. If the Company abandons a mineral project, the related royalty deposit will be charged against income.

5. Mineral properties and deferred costs

	Philippines	**Indonesia**	**Total**
Balance, December 31, 2000	$ 2,020,942	$ 962,892	$ 2,983,834
Expenditures	106,335	54,693	161,028
Write-down	-	(1,017,585)	(1,017,585)
Balance, December 31, 2001	2,127,277	-	2,127,277
Expenditures	295,986	-	295,986
Balance, December 31, 2002	$ 2,423,263	$ -	$ 2,423,263

During the year ended December 31, 2001, management ceased all operations on the Tiris mining project in Indonesia and wrote-off all previously deferred costs related to this project. Effective May 29, 2002, the Company sold its remaining Indonesian assets (note 3).

During the year ended December 31, 2002, the Company capitalized $54,500 (2001 - $67,000) of a total of $275,675 (2001 - $225,812) in expenses.

(a) Pursuant to a Memorandum of Agreement (“MOA”) effective March 7, 1997 with Minimax Mineral Exploration Corporation ("Minimax"), the Company acquired the right to earn up to an undivided 75% working interest in five mineral properties ("Properties") located in the Philippines. Under the terms of the MOA, the Company may earn working interests of 10%, 30% and 35% in each of the Properties by completing phases one, two and three, respectively, as follows:

(i) Phase one - incurring an aggregate of 20,000,000 Philippine Pesos ("PP") in eligible mining expenditures allocated to the Properties as defined in the MOA. Upon completion of phase one spending requirements, the Company must issue 50,000 Common shares to Minimax in order to proceed to phase two for each property completed.

(ii) Phase two - incurring an aggregate of 75,000,000 PP in eligible mining expenditures allocated to the Properties as defined in the MOA. Upon completion of phase two spending requirements, the Company must issue 100,000 Common shares to Minimax in order to proceed to phase three for each property completed.

(iii) Phase three - incurring an aggregate of 75,000,000 PP in eligible mining expenditures allocated to the Properties as defined in the MOA.

As at December 31, 2002, the Company has met phase one requirements on four Properties and phase two requirements on two Properties by incurring the required minimum eligible expenditures. In accordance with the MOA, 300,000 Common shares of the Company have been issued to Minimax to December 31, 2002, and 100,000 Common shares are committed to be issued in 2003.

The Company must incur expenditures in relation to each phase within time periods specified in the MOA. During the year ended December 31, 2001, the Company issued an additional 300,000 Common shares to Minimax as consideration for extending the specified phase two period on two Properties (note 7[d]).

The Company has until March 28, 2004 to complete Phase three expenditure requirements on one Property and is currently negotiating an extension for the time period to complete Phase three expenditure requirements on another Property. The time periods to complete Phase two expenditure requirements for the remaining three Properties are determined as being 365 days from the receipt of a Mineral Production Sharing Agreement ("MPSA") for each respective Property. The application for these MPSA's is in progress.

(b) Pursuant to a Letter Agreement dated October 23, 2000 with Egerton Gold Phils., Inc. ("Egerton"), the Company acquired the right to earn up to an undivided 75% working interest in two mineral properties located in the Philippines. The Company may earn working interests of 51% and 24% in these mineral properties by completing Phases one and two, respectively, as follows:

(i) Phase one - incurring an aggregate of U.S.$1.5 million in eligible mining expenditures on the mineral properties. The Company must also issue 250,000 Common shares to Egerton for each mineral property upon receipt of a related MPSA. The Company is required to meet the expenditure requirements for this Phase by December 1, 2005.

(ii) Phase two - completing a feasibility study and obtaining the necessary financing to commence commercial drilling and production on the mineral properties. The Company must issue 500,000 Common shares to Egerton upon commencement of Phase two.

Upon completion of Phase two, the Company must issue Egerton an additional 500,000 Common shares. At this point, Egerton will have the option to convert its 25% working interest into a 2% gross smelter royalty.

On December 2, 2002, MPSA's for both mineral properties were received and as a result, the Company was obligated to issue 500,000 Common shares to Egerton. These shares are committed to be issued in 2003.

Under the terms of each MPSA, the Company must spend 1,310,000 PP and 2,035,000 PP on each mineral property by February 2004 and 2005, respectively, to maintain each MPSA in good standing.

(c) Pursuant to a Drill for Equity Letter Agreement dated October 28, 2002 with East West Drilling Limited ("EWDL"), the Company agreed to issue 600,000 Common shares as consideration for EWDL providing drilling services for the mining projects as described in note 5(b). In the opinion of management, these services will be rendered and the related Common shares will be issued in 2003. EWDL has the option to provide additional drilling services for the Company, under similar terms, upon completion of this agreement. This agreement expires October 28, 2003.

6. Property and equipment

	2002		
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**
Computer hardware	$ 44,777	$ 37,302	$ 7,475
Computer software	37,830	33,222	4,608
Office furniture and equipment	29,224	21,735	7,489
Leasehold improvements	16,517	16,517	-
	$ 128,348	$ 108,776	$ 19,572

	2001		
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**
Computer hardware	$ 42,487	$ 34,589	$ 7,898
Computer software	37,690	30,329	7,361
Office furniture and equipment	29,224	19,862	9,362
Leasehold improvements	16,517	14,429	2,088
	$ 125,918	$ 99,209	$ 26,709

7. Share capital

(a) Authorized
Unlimited number of Common shares
Unlimited number of Preferred shares

(b) Issued - Common shares

	Number	**Stated Value**
Balance, December 31, 2000	16,705,039	$ 7,397,944
Issued for services (note 7[c])	400,000	59,050
Issued for mineral properties (note 7[d])	300,000	-
Issued for Private Placement (note 7[e])	1,881,163	251,400
Exercise of warrants	1,181,327	164,833
Balance, December 31, 2001	20,467,529	7,873,227
Issued for Private Placement (note 7[f])	1,500,000	150,000
Issued for Short Form Offering (note 7[g])	2,535,900	196,650
Balance, December 31, 2002	24,503,429	$ 8,219,877

(c) On April 19, 2001, the Company issued 400,000 Common shares to settle a liability for outstanding wages payable due to certain officers in the amount of $59,050, net of issuance costs of $950.

(d) On October 5, 2001, the Company issued 300,000 Common shares to Minimax, at an attributed value of $Nil (note 5[a]).

(e) Pursuant to a Private Placement, the Company issued 1,881,163 Units at a price of $0.135 per Unit for proceeds of $251,400, net of issuance costs of $2,557. Each Unit consisted of one Common share and one Common share purchase warrant. Each warrant was exercisable into one Common share of the Company at a price of $0.30 until these warrants expired unexercised on January 16, 2003.

(f) Pursuant to a Private Placement, the Company issued 1,500,000 Units at a price of $0.10 per Unit for proceeds of $150,000. Each Unit consisted of one Common share and one Common share purchase warrant. Each warrant is exercisable into one Common share of the Company at a price of $0.15 until July 10, 2003 and thereafter at $0.30 until expiry on July 10, 2004.

(g) Pursuant to a Short Form Offering Document, the Company issued 2,535,900 Units at a price of $0.11 per Unit for proceeds of $196,650, net of issuance costs of $82,299. Each Unit consisted of one Common share and one Common share purchase warrant. 2,114,900 warrants are exercisable into one Common share of the Company at a price of $0.15 until September 9, 2003 and thereafter at $0.30 until expiry on September 9, 2004. 421,000 warrants are exercisable into one Common share of the Company at a price of $0.15 until October 4, 2003 and thereafter at $0.30 until expiry on October 4, 2004.

The Company paid the agent a 10% cash commission on the gross proceeds of $278,949 and granted 253,590 agent's warrants. 211,490 and 42,100 agent's warrants are exercisable into one Common share of the Company at a price of $0.11 until expiry on September 9, 2004 and October 4, 2004, respectively.

(h) A summary of the Company's share purchase warrants is as follows:

Number of Warrants	Exercise Price	Expiry Date
1,500,000	$0.15	July 10, 2003
	$0.30	July 10, 2004
2,114,900	$0.15	September 9, 2003
	$0.30	September 9, 2004
421,000	$0.15	October 4, 2003
	$0.30	October 4, 2004
211,490	$0.11	September 9, 2004
42,100	$0.11	October 4, 2004
572,273	$0.30	August 1, 2003
	$0.50	August 1, 2004
	$1.00	August 1, 2005

(i) On January 13, 2003, the Company issued 61,922 Common shares at a price of $0.11 per share to a director to settle an outstanding liability for consulting fees rendered during the year ended December 31, 2002 in the amount of $6,811.

(j) The Company has a stock option plan under which directors, officers, consultants and employees of the Company are eligible to receive stock options. The maximum number of shares reserved for issuance upon exercise of all options granted under the plan may not exceed 10% of the issued and outstanding Common shares. The Board of Directors shall determine the terms and provisions of the options at the time of grant. Options under the plan generally have a term of five years and vest immediately, however the holder is restricted from selling the shares obtained from the exercise of options for a four month period. The exercise price of each option shall not be less than the price permitted by any stock exchange on which the Common shares are then listed.

A summary of the status of the Company's stock option plan as at December 31, 2002 and 2001 and changes during the years then ended are as follows:

	2002		**2001**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of year	1,839,000	$ 0.32	1,585,500	$ 0.41
Granted	840,000	0.13	460,000	0.10
Expired or cancelled	(785,000)	(0.52)	(206,500)	(0.57)
Outstanding and exercisable, end of year	1,894,000	$ 0.16	1,839,000	$ 0.32

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2002:

Range of Exercise Prices	**Number**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**
$0.10 to $0.14	1,300,000	4.1 years	$0.12
$0.15 to $0.23	349,000	2.5 years	$0.20
$0.24 to $0.36	245,000	0.3 years	$0.32
	1,894,000	3.3 years	$0.16

On March 4, 2003, the Company granted 560,000 stock options to directors, officers and employees which are exercisable at a price of $0.15 per share expiring March 4, 2008.

(k) Stock-based compensation

On a pro forma basis, had the Company adopted the fair value based method of accounting for stock-based compensation, the compensation costs, net loss and net loss per share would be as follows:

Year ended December 31, 2002	**Amount**
Compensation costs	$ 105,800
Net loss	
As reported	(241,588)
Pro forma	(347,388)
Net loss per share - basic and diluted	
As reported	(0.01)
Pro forma	(0.02)

The pro forma amounts shown above do not include compensation costs associated with stock options granted prior to January 1, 2002.

The fair value of the agent's warrants (note 7[g]) was estimated to be $22,300 and has been recorded as a share issuance cost with a corresponding increase in contributed surplus.

The estimated fair value of options granted during the year was calculated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	Employees	**Non-Employees**
Risk free interest rate	5.0%	3.0%
Expected hold period prior to exercise (years)	5	2
Expected volatility	185%	178%
Dividend yield per share	-	-

The grant date fair value of options issued during the year was $0.13 per option for employees and $0.09 per option for non-employees.

(l) During the year ended December 31, 2002, the Company settled a liability for outstanding wages payable due to certain officers in the amount of $95,000 by the issuance of 205,000 stock options. This settlement has been recorded as an increase in contributed surplus.

(m) Net loss per share

Net loss per share is calculated based on the weighted average number of Common shares outstanding during the year ended December 31, 2002 of 21,978,740 (2001 - 19,321,111). The exercise of stock options and warrants would be anti-dilutive in 2002 and 2001.

8. Income taxes

(a) Significant components of the Company's future tax asset include the following:

	2002	**2001**
Tax values in excess of net book value of mineral properties and deferred costs and property and equipment	$ 246,437	$ 245,285
Share issue costs	25,912	9,984
Non-capital loss carryforwards	1,246,597	1,317,385
Valuation allowance	(1,518,946)	(1,572,654)
	$ -	$ -

For purposes of this calculation, the future tax effects related to Indonesian operations have been excluded from this analysis for 2002 and 2001 given the sale of Tiris and Emas (note 3).

There are no future tax effects associated with Philippine operations.

(b) Income tax recovery differs from that which would be expected from applying the effective combined Canadian federal and provincial income tax rate of 42.12% (2001 - 42.62%) to net loss as follows:

		2002		2001
Expected income tax recovery	$	(101,757)	$	(509,565)
Increase (decrease) resulting from:				
Write-down of deferred exploration costs related to Indonesian operations		-		433,695
Change in future tax asset resulting from changes in tax rates		18,450		69,674
Expiry of non-capital loss carryforwards		113,163		-
Settlement of accounts payable (note 7[l])		40,014		-
Future income tax expense not recorded		(53,708)		(19,242)
Other		(16,162)		25,438
	$	-	$	-

(c) At December 31, 2002, the Company has Canadian non-capital losses of approximately $2,959,600 for which no benefit has been recognized in the consolidated financial statements. These losses expire as follows:

2003	$	287,200
2004		837,500
2005		528,100
2006		613,800
2007		349,500
2008		206,200
2009		137,300
	$	2,959,600

9. Supplemental cash flow information

Excluded from the consolidated statement of cash flows for the year ended December 31, 2002 are:

(a) Share issue costs and contributed surplus recorded for the estimated fair value of the agent's warrants of $22,300 (note 7[k]).

(b) Settlement of a liability for outstanding wages payable in the amount of $95,000 for $Nil consideration (note 7[l]).

10. Financial instruments

    (a) Fair values

    The fair values of all financial instruments approximate their carrying values due to their short-term nature.

    (b) Currency risk

    The Company is exposed to currency price risk to the extent of its foreign operations conducted in the Philippines. The Company does not hedge its exposure to fluctuations in the related foreign exchange rate.

11. Subsequent event

    Pursuant to a Private Placement which closed on March 27, 2003, the Company issued 1,100,000 Units at a price of $0.15 per Unit for proceeds of $165,000. Each Unit consisted of one Common share and one-half of a Common share purchase warrant. Each whole warrant is exercisable into one Common share of the Company at a price of $0.30 for one year from the date of issue of the Common shares under this offering, and thereafter at $0.50 for the remaining one year. 100,000 Units were acquired by an officer of the Company.

12. Comparative figures

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