South American Gold and Copper Company Limited

(A development stage Company)

Consolidated Financial Statements

September 30, 2003 and 2002

(expressed in thousands of U.S. dollars)

PRICEWATERHOUSECOOPERS

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December 19, 2003
(except for note 19, which is as of January 30, 2004)

Auditors' Report

To the Shareholders of
South American Gold and Copper Company Limited

We have audited the consolidated balance sheets of **South American Gold and Copper Company Limited** as at September 30, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

South American Gold and Copper Company Limited

(A development stage Company)
Consolidated Balance Sheets
As at September 30, 2003 and 2002

(expressed in thousands of U.S. dollars)

	2003 $	2002 $
Assets		
Current assets		
Cash and cash equivalents	112	445
Other (notes 7 and 15)	213	98
	325	543
Equipment (note 5)	29	39
Exploration properties (note 6)	15,855	15,265
Other	80	11
Total assets	16,289	15,858
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	355	324
Other	323	3
	678	327
Notes payable (note 10)	1,842	1,515
Non-controlling shareholders' interest in consolidated subsidiary	136	143
Total liabilities	2,656	1,985
Shareholders' Equity		
Share capital (note 8)	51,292	50,073
Contributed surplus (note 13)	315	300
Warrants (note 11)	236	485
Deficit	(38,210)	(36,985)
Total shareholders' equity	13,633	13,873
Total liabilities and shareholders' equity	16,289	15,858

Nature of operations and going concern (note 1)

Commitments and contingencies (note 14)

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

Approved by the Board of Directors

(signed) John C. Duncan
Chairman

(signed) Stephen W. Houghton
Director

South American Gold and Copper Company Limited

(A development stage Company)

Consolidated Statements of Operations and Deficit

(expressed in thousands of U.S. dollars, except per share amounts)

	Years ended September 30, 2003 $	Years ended September 30, 2002 $	Cumulative from inception on May 6, 1991 $
Expenses			
Writedown of exploration properties (note 6)	136	3,802	28,944
Administrative	827	755	10,734
Foreign exchange	(23)	(33)	(253)
Interest	408	511	3,137
	1,348	5,035	42,562
Gain (loss) on extinguishment of debt (note 10(b))	-	(23)	3,683
Interest income	-	-	546
Loss before non-controlling shareholders' interest in consolidated subsidiary's loss	(1,348)	(5,058)	(38,333)
Non-controlling shareholders' interest in consolidated subsidiary's loss	7	-	7
Loss for the period	(1,341)	(5,058)	(38,326)
Deficit - Beginning of period	(36,985)	(31,927)	-
Gain on warrant revaluation (note 8(b)(xlv),(xlvi),(xlvii))	116	-	116
Deficit - End of period	(38,210)	(36,985)	(38,210)
Basic and diluted loss per share (note 3)	0.01	0.03	

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

South American Gold and Copper Company Limited
(A development stage Company)
Consolidated Statements of Cash Flows

(expressed in thousands of U.S. dollars)

	Years ended September 30, 2003 $	2002 $	Cumulative from inception on May 6, 1991 $
Cash provided by (used in)			
Operating activities			
Loss for the period	(1,341)	(5,058)	(38,326)
Non-cash items			
Writedown of exploration properties	136	3,802	28,944
Amortization of equipment	10	8	87
(Gain) loss on extinguishment of debt	-	23	(3,683)
Accretion of interest on debentures and notes payable and amortization of deferred debt expense included in other assets	408	502	2,160
Foreign exchange	(23)	(40)	(419)
Non-controlling shareholders' interest in consolidated subsidiary's loss	(7)	-	100
Non-cash employee share compensation	173	-	1,260
Non-cash non-employee share compensation	-	21	142
	(644)	(742)	(9,735)
Change in non-cash working capital relating to operations (note 17)	135	35	1,692
	(509)	(707)	(8,043)
Investing activities			
Exploration properties	(726)	(655)	(32,446)
Equipment	-	(7)	(128)
Other assets	-	-	(1,437)
	(726)	(662)	(34,011)
Financing activities			
Shares issued	901	1,618	36,977
Options exercised	3	-	19
Notes payable	-	-	2,012
Notes repaid	-	(56)	(56)
Debentures	-	-	2,733
Deferred debt expense	-	-	(34)
Non-controlling subsidiary shareholders' interest	-	11	(181)
Warrants	-	240	705
	904	1,813	42,175
Effect of foreign exchange on cash held in foreign currency	(2)	(7)	(9)
Increase (decrease) in cash and cash equivalents during the period	(333)	437	112
Cash and cash equivalents - Beginning of period	445	8	-
Cash and cash equivalents - End of period	112	445	112

Supplemental cash flow information (note 17)

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

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

1 Nature of operations

The Company is a Canadian corporation, listed on the Toronto Stock Exchange (TSX), engaged in the acquisition, exploration and development of resource properties principally in Chile for the production of gold, copper and limestone. The Company is in the process of determining whether these resource properties contain ore reserves that are economically recoverable. All costs relating to the exploration and development of these resource properties are deferred (notes 2(c) and 6). The recoverability of the amounts shown for exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the projects and upon future profitable production or proceeds from the disposition thereof.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of obligations in the normal course of business as they come due. No adjustments have been made to assets or liabilities in these consolidated financial statements should the Company not be able to continue normal business operations.

As at September 30, 2003, the Company reported a deficit of approximately $38.7 million and a working capital deficiency of approximately $0.4 million. This condition casts significant doubt as to the ability of the Company to continue in business and meet its obligations as they come due. Management is considering various alternatives, including a private placement and debt issuance to raise capital in early fiscal 2004 (note 19).

The Company's continuance as a going concern is dependent on obtaining adequate financial resources through external funding or profitable operations. In the event that such resources are not secured, the assets may not be realized or liabilities discharged at their carrying amounts, and these differences could be material.

2 Summary of significant accounting policies

These consolidated financial statements are presented in U.S. dollars and have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Significant policies are summarized as follows:

a) Basis of consolidation

These consolidated financial statements include the accounts of South American Gold and Copper Company Limited (SAGC or the Company) and its subsidiaries:

- South American Gold and Copper (Bermuda) Ltd. (Bermuda)
- SAGC Cathedral Limited (Cathedral)
- SAGC Management, Inc. (Management)

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

- Compañía Minera Til Til Limitada (Til Til)
- Compañía Minera Pimenton (Pimenton)
- Compañía Minera Vizcachas (Vizcachas)
- Compañía Minera Catedral (CM Catedral)
- Compañía Cal Norte (Cal Norte)

b) Foreign currency translation and transactions

The Company's foreign currency transactions, balances and integrated operations denominated in foreign currencies are translated into the Company's reporting currency, U.S. dollars, as follows:

Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the years, with the exception of amortization which is translated at the historic rate of the related asset. Translation gains and losses are reflected in the consolidated statements of operations and deficit.

c) Exploration and development costs

Acquisition costs of resource properties, together with direct exploration and development expenses incurred thereon, are deferred and capitalized in the accounts when it is considered probable that their costs will be recovered from future operations. Upon reaching commercial production, these capitalized costs will be transferred from exploration properties to producing properties on the consolidated balance sheets and will be amortized into operations using the unit-of-production method over the estimated useful lives of the estimated related ore reserves.

Based on annual impairment reviews made by management or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, such as would be indicated when:

Producing properties

- the carrying amounts of the capitalized costs exceed the related undiscounted net cash flows of proven and probable reserves;

Exploration properties

- exploration activities have ceased;
- exploration results are not promising such that exploration will not be planned for the foreseeable future;
- lease ownership rights expire; or
- sufficient funding is not expected to be available to complete the exploration program;

then the carrying amount is written down accordingly and the writedown amount charged to operations.

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

d) Equipment

Equipment balances are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method based on the estimated useful lives of the equipment ranging from 5 to 15 years. An impairment loss is recognized when the carrying amount of the equipment exceeds the estimated net future cash flows relating to the equipment. Such impairment loss recognized is calculated as the excess of the carrying amount over the fair value of the equipment.

e) Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

f) Share-based compensation

The Company has a share option plan as discussed in note 8(d). No compensation expense is recognized when share options are issued to directors, officers or employees under the Company's share option plan. Consideration paid by optionees on exercise of an option is recorded in share capital. Share-based compensation granted to outside service providers is recorded at the fair value of consideration received or consideration given using the Black-Scholes valuation model, with volatility factors and risk-free rates existing at the date of issue. Historically, these have ranged from 30%-50% and 2.35%-4.75%, respectively.

g) Income taxes

The asset and liability method is used for determining income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets and liabilities and are measured using the income tax rates substantively enacted at the balance sheet dates that are expected to apply when the assets are realized or the liabilities settled. Net future income tax assets are offset by valuation allowances to the extent that they are considered not more likely than not to be realized.

h) Earnings and loss per share (EPS)

Basic EPS is computed by dividing the income or loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares when the conditions necessary for issuance have been met. Diluted EPS is calculated in a manner similar to basic EPS, except that the weighted average number of shares outstanding is increased to include potential common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants and on the as-if-converted method for convertible securities.

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

i) Cash and cash equivalents

Cash and cash equivalents consist of cash and money market funds with original maturity dates of three months or less.

3 Loss per share

	2003	2002
Weighted average number of shares outstanding - basic	248,163,122	178,645,930
Effect of convertible debentures, notes, options and warrants	1,681,140	17,008,670
Adjusted weighted average number of shares outstanding - diluted	249,844,262	195,654,600

The effect of convertible debentures, notes, options and warrants is not included in computing the diluted per share amounts since, in the context of reported losses for the year, such effect would be anti-dilutive.

4 Income taxes

The Company’s income tax recovery has been calculated as follows:

	2003 $	2002 $
Loss for the year	1,341	5,058
Income tax recovery at Canadian federal and provincial statutory rates (2003 - 40.12%, 2002 - 42.12%)	541	2,130
Effect of expenses incurred in non-taxing jurisdictions	(65)	(1,375)
Effect of difference in regional income tax rates compared with Canadian rates	(100)	(268)
Expenses not deductible for income tax purposes	(51)	(38)
Expenses deductible for income tax purposes, but not for book purposes	30	-
Effect of losses incurred for book purposes, the income tax benefits of which have not been recognized in the financial statements	(355)	(449)
Recovery of income taxes	-	-

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

The Company's future income tax assets as at September 30 are summarized as follows:

	2003 $	2002 $
Exploration properties	5,540	5,465
Non-capital losses carried forward	1,916	1,636
Future income tax assets	7,456	7,101
Valuation allowance	(7,456)	(7,101)
Net future income tax assets recorded	-	-

As at September 30, 2003, SAGC and its subsidiaries had available Canadian tax loss carry-forwards of approximately $3.7 million that expire between 2004 and 2009, Chilean tax loss carry-forwards of approximately $3.2 million that can be carried forward indefinitely and U.S. tax loss carry-forwards of approximately $0.6 million that can be carried forward 20 years.

The Company has recorded a valuation allowance in the amount of approximately $7,456,000 as at September 30, 2003 (2002 - $7,101,000) because management believes that the future income tax assets are not more likely than not to be realized in the carry-forward period. The valuation allowance was increased during the year ended September 30, 2003 by $355,000 (2002 decreased by $819,000).

Realization of future income tax assets is dependent on many factors, including the ability of the Company to generate sufficient taxable income within the loss carry-forward period in order to use the income tax loss amounts carried forward.

The country of Bermuda currently imposes no income, withholding or capital gains taxes. In the event that such taxes are enacted, the Company is exempt from the imposition of Bermudian taxes until 2016.

5 Equipment

		2003	
	Cost $	Accumulated amortization $	Net $
Office furniture and equipment	98	81	17
Vehicles	30	18	12
	128	99	29

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

			2002
	Cost $	**Accumulated amortization** $	**Net** $
Office furniture and equipment	98	72	26
Vehicles	30	17	13
	128	89	39

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

6 Exploration properties

	Pimenton (a) $	Catedral (b) $	Antena (c) $	Cal Norte (d) $	Meseta (e) $	Other (f) $	Total $
Mining properties							
Balance as at September 30, 2001	3,887	1,036	1,229	49	-	13	6,214
Additional costs capitalized	-	30	1	2	84	-	117
Writedown	-	-	(1,230)	-	(84)	(13)	(1,327)
Balance as at September 30, 2002	3,887	1,066	-	51	-	-	5,004
Additional costs capitalized	19	-	-	1	-	3	23
Writedown	-	-	-	-	-	-	-
Balance as at September 30, 2003	3,906	1,066	-	52	-	3	5,027
Cumulative balances as at September 30, 2003 consist of							
Capitalized costs	3,906	1,066	1,230	52	84	2,556	8,894
Writedowns to date	-	-	(1,230)	-	(84)	(2,553)	(3,867)
Insurance recovery	-	-	-	-	-	-	-
	3,906	1,066	-	52	-	3	5,027
Exploration costs							
Balance as at September 30, 2001	-	2,039	2,266	645	-	2	4,952
Additional costs capitalized	-	149	16	195	193	55	608
Writedown	-	-	(2,282)	-	(193)	-	(2,475)
Balance as at September 30, 2002	-	2,188	-	840	-	57	3,085
Additional costs capitalized	-	35	-	190	-	123	348
Writedown	-	-	-	-	-	(136)	(136)
Balance as at September 30, 2003	-	2,223	-	1,030	-	44	3,297
Cumulative balances as at September 30, 2003 consist of							
Capitalized costs	-	2,223	4,344	1,030	193	12,291	20,081
Writedowns to date	-	-	(4,344)	-	(193)	(12,247)	(16,784)
Insurance recovery	-	-	-	-	-	-	-
	-	2,223	-	1,030	-	44	3,297
Mining plant and equipment							
Balance as at September 30, 2001	15,469	-	-	-	-	-	15,469
Additional costs capitalized	-	-	-	-	-	-	-
Writedown	(8,293)	-	-	-	-	-	(8,293)
Balance as at September 30, 2002	7,176	-	-	-	-	-	7,176
Additional costs capitalized	-	-	-	-	-	-	-
Writedown	-	-	-	-	-	-	-
Balance as at September 30, 2003	7,176	-	-	-	-	-	7,176
Additional costs capitalized	355	-	-	-	-	-	355
Writedown	-	-	-	-	-	-	-
Balance as at September 30, 2003	7,531	-	-	-	-	-	7,531

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

	Pimenton (a) $	Catedral (b) $	Antena (c) $	Cal Norte (d) $	Meseta (e) $	Other (f) $	Total $
Cumulative balances as at September 30 2003 consist of							
Capitalized costs	16,934	-	-	-	-	-	16,934
Writedowns to date	(8,293)	-	-	-	-	-	(8,293)
Insurance recovery	(1,110)	-	-	-	-	-	(1,110)
	7,531	-	-	-	-	-	7,531
Summary							
Mining properties	3,906	1,066	-	52	-	3	5,027
Exploration costs	-	2,223	-	1,030	-	44	3,297
Mining, plant and equipment	7,531	-	-	-	-	-	7,531
Total as at September 30, 2003	11,437	3,289	-	1,082	-	47	15,855
Mining properties	3,887	1,066	-	51	-	-	5,004
Exploration costs	-	2,188	-	840	-	57	3,085
Mining, plant and equipment	7,176	-	-	-	-	-	7,176
Total as at September 30, 2002	11,063	3,254	-	891	-	57	15,265

a) Pimenton

On November 29, 1996, the Company entered into an agreement to acquire the remaining 44% non-controlling interest in Pimenton, bringing its ownership interest to 100%. On November 29, 1996, Pimenton also purchased from Messrs. Bernstein and Thomson (an officer and director of the Company) two concessions adjoining its property for $4,000,000, of which, $200,000 was paid on December 3, 1996; $1,800,000 was paid on January 7, 1997; and the remaining $2,000,000 was payable before May 29, 1998. This payable was initially recorded at its present value of $1,722,000 and was written up to $1,976,000 to reflect accrued interest expenses as at September 30, 1999. Pimenton also agreed to pay to Messrs. Bernstein and Thomson a 5% net smelter royalty (6% if the price of gold is equal to or greater than $400 per ounce) on production from all Pimenton properties as currently constituted, commencing in June 1998. Under the agreement, failure to pay amounts due for the two concessions, provided the average price exceeds $299.99 per ounce, results in Messrs. Bernstein's and Thomson's being entitled to the return of the concessions and to reacquire, for nominal consideration, their 44% interest in Pimenton.

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The Company did not pay the $2,000,000 on May 28, 1998. On August 19, 1998, the noteholders agreed to extend the due date from May 28, 1998 to December 31, 2000. In January 2000, the noteholders agreed to a further extension of the due date to December 31, 2005 and, under certain conditions, to December 31, 2007 in consideration of the issuance to each of them of a stock purchase warrant entitling each of them to purchase 3,000,000 common shares of the Company at CAN$0.51 per share (note 10(a)). The total number of shares to be issued would be 6,000,000. Interest on the Pimenton notes is 5% per annum and payable only at the end of any 90-day consecutive period, and only for that period in which the price of gold trades above US$300 per ounce (note 19).

b) Catedral

The Company owns 50.1% of the Catedral prospect through its subsidiaries Cathedral and CM Catedral, which encompasses two limestone deposits, Catedral and Rino, consisting of 69 concessions covering an area of 15,250 hectares just west of the border with Argentina. The deposits are hosted by the Los Valdes Formation, which stretches along a significant distance of the high Cordillera.

On another portion of the concession, an agreement was signed on January 25, 1995, in which CM Catedral must pay the owner of the concession up to $500,000 (indexed according to the United States Consumer Price Index-Base 1994), in the form of a $0.40 royalty per ton of minerals extracted with a minimum payment of $25,000 per year and the balance due five years after production commences. During 2000, the owner agreed to further amendments to this agreement. The owner was issued 1,824,815 common shares of the Company in exchange for the elimination of the annual royalty payment of $25,000 for five years. The balance due of $375,000 on January 25, 2006 was reduced to $150,000 and the payment date was extended to January 25, 2010. The owner has the option to receive payment in shares of the Company at a discount of 15% from the then market price per share, but not at a price less than CAN$0.20 per share. The Company may prepay the $150,000 at any time.

By an agreement dated November 27, 1996, Cathedral may lend, at its discretion, to CM Catedral up to $1,000,000 to enable it to explore and develop its properties. This amount includes all funds expended or committed before the transfer of the Catedral and Rino projects to CM Catedral. Funds in excess of $1,000,000 required by CM Catedral to keep its agreements in good standing will be funded by loans from Cathedral to the extent of 50.1%, and Messrs. Hernandez and Thomson to the extent of 49.9% of such amount.

Also under the November 27, 1996 agreement, Cathedral agreed to provide or cause to provide to each of Messrs. Hernandez and Thomson, a further loan of up to $1,250,000 each or $2,500,000 in total (note 14(a)). Such loans are to pay their proportionate share of development costs if a bankable feasibility study demonstrates that the properties can be placed into commercial production, and to fund their 50% share of an option payment totalling $500,000, which was paid during 1997.

On February 9, 1999, the board of directors agreed to amend its November 27, 1996 agreement with Messrs. Hernandez and Thomson, both officers and directors of the Company, regarding recovery of advances made to explore and develop the Catedral prospect. The board of directors has agreed that all funds advanced will be recovered from 80% of the cash flow of the properties or from the sale thereof

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until the Company has recovered 125% of such advances. On September 11, 2000, the board of directors agreed to an additional amendment to this agreement limiting recovery of advances made through September 30, 2000 to $3,125,000 (and not the 125% of such advances). Such recovery will be from 60% (reduced from 80% previously agreed upon) of the cash flow from the properties or the sale of the properties. Future advances will also be recovered from 60% of the cash flow. Accordingly, such advances have been reflected in exploration costs.

During 2003, the Company continued its testing program on the Catedral deposit. Limestone samples were tested by Codelco, the Chilean state owned mining company and a potential purchaser of lime, with favourable results and they have expressed an interest in obtaining a large bulk sample for further testing.

c) Antena

The Company owned 100% of the Antena project, which covered an area of 80 square kilometers and is located 18 kilometers southeast of the coastal city of Viña del Mar and 100 kilometers northwest of Santiago.

During fiscal 2001, management reviewed the carrying value of the Antena project, considering, among other things, the price of gold for the last several years. Management concluded that, while Antena continued to have development potential, it would be prudent to reduce the carrying value to an amount then considered economically recoverable through future operations or sale. A further review was conducted in fiscal 2002, and management concluded, based on geological results, that further exploration of these properties was not warranted and, accordingly, the remaining carrying value was written off.

d) Cal Norte

In July 1999, the Company entered into a formal agreement with Compañía Minera Quelon for the formation of Cal Norte. Under the agreement, the Company acquired a 60% interest in Cal Norte, consisting principally of exploration properties valued at $332,000. This acquisition was funded by the non-controlling interest. Other assets and liabilities of Cal Norte were insignificant. Compañía Minera Quelon contributed its mining equipment, related mine facilities and limestone deposits. The Quelon mining properties are located approximately 300 kilometers north of Santiago. The Company has agreed to fund up to $1,800,000 to Cal Norte as its contribution toward a project to develop a 150-tons-per-day lime manufacturing operation (note 14(a)).

As at September 30, 2003, the Company had contributed $1,082,000 to finance a bankable feasibility study on the project (which was successfully completed in August 1999) and for environmental permitting and further mine development on the project.

e) Meseta

During the year ended September 30, 2002, approximately $277,000 was written off in connection with the unsuccessful attempt to develop the Meseta copper project.

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f) Other

During the years ended September 30, 2003 and 2002, approximately $136,000 and $13,000, respectively, in other exploration costs and mining properties were expensed.

The following other prospects have been written down since inception:

	$
Lophan Bajo	147
Araucaro	344
Paloma	516
Santa Cecilia	2
Lophan	951
Cateador	969
Espinos	1,375
Peregrino	5,915
Alamo	536
Halcon	3,845
Lorito	54
Other	146
	14,800
Mining properties	2,553
Exploration costs	12,247
	14,800

All of the above were gold prospects, except Espinos and Lorito, which were copper prospects.

7 Other current assets

Other current assets consist of:

	2003 $	2002 $
Sundry receivables	41	29
Receivable from an officer and a director (note 15)	172	69
	213	98

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

8 Share capital

a) Authorized capital

On March 31, 2001, the shareholders authorized an increase of the capital of the Company to 250,000,000 common shares, and on March 27, 2002, the shareholders authorized an additional increase of the capital of the Company to 500,000,000 common shares.

b) Issued capital

	Number of shares issued	$
Incorporation (May 6, 1991)		
Share issuance (i)	520,000	520
September 30, 1991	520,000	520
Share issuance (ii)	624,162	624
September 30, 1992	1,144,162	1,144
Share issuance (iii)	527,670	1,380
September 30, 1993	1,671,832	2,524
Share issuance (iv)	315,330	1,070
Share issuance (v)	341,000	341
Stock splits (vi)	9,893,838	-
Balance as at reverse date May 12, 1994 (viii)	12,222,000	3,935
Company's shares as at May 12, 1994 (vii)	1,349,059	74
Predecessor Company's shares exchanged for the Company's shares on May 12, 1994 (viii)	12,222,000	3,935
Share issuance (ix)	4,000,000	4,255
September 30, 1994	17,571,059	8,264
Share issuance (x)	3,000,000	4,018
September 30, 1995	20,571,059	12,282
Share issuance (xi)	5,100,000	3,941
September 30, 1996	25,671,059	16,223
Share issuance (xii)	9,176,470	10,580
Share issuance (xiii)	16,500,000	15,658

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

	Number of shares issued	$
September 30, 1997	51,347,529	42,461
Share issuance (xiv)	3,723,390	1,108
September 30, 1998	55,070,919	43,569
Share issuance (xv)	30,000,000	951
Options exercised (xvi)	100,000	3
September 30, 1999	85,170,919	44,523
Share issuance (xvii)	2,920,000	150
Options exercised (xviii)	400,000	13
Debenture converted (xix)	8,853,333	210
Debenture converted (xx)	11,000,000	655
Share issuance (xxi)	1,824,815	100
September 30, 2000	110,169,067	45,651
Share issuance (xxii)	6,132,787	316
Share issuance (xxiii)	22,847,799	1,087
Share issuance (xxiv)	7,284,707	215
Share issuance (xxv)	11,550,000	432
Services - drilling (xxvi)	1,646,408	42
Services - financial (xxvii)	666,000	17
September 30, 2001	160,296,768	47,760
Services - financial (xxviii)	834,000	21
Services - environmental (xxix)	1,221,176	31
Share issuance (xxx)	24,000,000	431
Services - drilling (xxxi)	(176,401)	(4)
Warrants exercised (xxxii)	1,625,833	87
Share issuance (xxxiii)	26,200,000	715
Interest (xxxiv)	1,366,516	74
Employment contract (xxxv)	1,491,280	143
Share issuance (officers and directors) (xxxvi)	11,661,368	278
Warrants exercised (xxxvii)	900,000	147
Debenture converted (xxxviii)	4,347,826	237
Services - drilling (xxxix)	1,470,007	43
Warrants exercised (xl)	2,000,000	110
September 30, 2002	237,238,373	50,073
Warrants exercised (xli)	2,206,061	87
Warrants exercised (xlii)	340,000	21
Note converted (xliii)	314,500	28
Compensation (xliv)	2,250,000	133
Warrants exercised (xlv)	728,471	32
Warrants exercised (xlvi)	480,000	22
Warrants exercised (xlvii)	2,050,000	95

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

	Number of shares issued	**$**
Warrants exercised (xlvii)	7,501,669	305
Warrants exercised (xlviii)	2,400,000	100
Warrants exercised (xlviii)	8,436,368	353
Options exercised (xlix)	100,000	3
Compensation (l)	1,258,720	40
September 30, 2003	265,304,162	51,292

i) During the period from inception on May 6, 1991 to September 30, 1991, 520,000 common shares were issued to directors and officers at $1.00 per share.

ii) During the period from January 1, 1992 to December 31, 1992, the Company issued 624,162 common shares to directors and officers at $1.00 per share.

iii) During the period from January 1, 1993 to December 31, 1993, the Company issued 527,670 common shares to directors and officers at $2.62 per share.

iv) During the period from October 1, 1993 to January 31, 1994, a predecessor company issued 315,330 common shares at $3.75 per share to officers of the predecessor company for cash, notes and services rendered. The shares were recorded, net of issuance costs, at $1,070,003.

v) In February 1994, 341,000 common shares paid for by an officer of the Company in 1993 were authorized and issued at $1.00 per share.

vi) On February 28, 1994, a predecessor company increased the authorized share capital of the $1.00 par value common shares from 2,000,000 to 15,000,000 common shares and increased the outstanding shares of its common stock through one and one half to one and, subsequently, three and one half to one stock splits.

vii) The authorized share capital of the Company (formerly Osborne & Chappel Goldfields Limited) was increased to 50,000,000 common shares on May 12, 1994. The share capital was consolidated on the basis of one new share for four old shares, reducing the outstanding shares of the Company from 5,396,236 to 1,349,059. The share premium was also adjusted to reflect the net asset value of the Company's shares as at the date of the reverse takeover.

viii) 12,222,000 shares of a predecessor company were exchanged for the 12,222,000 common shares of the Company.

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

ix) On May 12, 1994, the Company sold 4,000,000 common shares for $1.25 per share through a private placement. The proceeds, net of issuance costs, were $4,255,000.

x) On November 22, 1994, the Company sold 3,000,000 common shares for CAN$2.00 per share through a private placement. The proceeds, net of issuance costs, were $4,018,000.

xi) On December 13, 1995, the Company sold 5,100,000 common shares for $0.80 per common share through a private placement. The proceeds, net of issuance costs, were $3,941,000.

xii) In October 1996, the Company acquired the outstanding non-controlling interests in Vizcachas, excluding the Catedral and Rino limestone deposits, in consideration of cash of $1,158,941, which was paid on March 15, 1997, and by the issuance of 9,176,470 common shares.

xiii) On October 30, 1996, the Company sold 16,500,000 special warrants at CAN$1.40 per special warrant for proceeds, net of issuance costs, of $15,658,000. In January 1996, the Company obtained the required receipts for its prospectus from certain provinces of Canada and each special warrant was exchanged upon exercise or deemed exercised for one common share.

xiv) On November 21, 1997, the Company sold through a private placement 3,723,390 units at CAN$0.50 per unit, each unit comprised one common share and one warrant to purchase a further common share at CAN$0.50 per common share until April 30, 1999, for proceeds, net of issuance costs, of $1,257,000, of which $149,000 was assigned to warrants, using the Black-Scholes valuation model.

xv) On April 20, 1999, the Company sold through a private placement 30,000,000 common shares at CAN$0.05 per share for proceeds, net of issuance costs, of $951,000.

xvi) In June 1999, a former director of the Company exercised an option for 100,000 common shares at CAN$0.05 per share.

xvii) On November 23, 1999, the Company sold through a private placement 2,920,000 common shares at CAN$0.075 per share for net cash proceeds of $150,000.

xviii) On March 16, 2000, an officer exercised an option for 400,000 common shares for net cash proceeds of $13,686.

xix) On March 15, 2000, a CAN$664,000 debenture was converted into 8,853,333 common shares at CAN$0.075 per share. This debenture had a fair value of $179,679, and $30,425 was assigned to its convertible feature.

xx) On April 3, 2000, CAN$2,200,000 of a CAN$2,700,000 debenture was converted into 11,000,000 common shares at CAN$0.20 per share. This portion of the debenture had a fair value of $636,093 and $18,901 was assigned to its convertible feature.

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

xxi) On September 29, 2000, 1,824,815 common shares were issued as partial payment to the owner of a section of the Catedral and Rino concession. These shares were recorded at market value of CAN$0.085 on the day of issuance, less related TSX fees, for a net increase in share capital of $99,932.

xxii) On November 23, 2000, the Company sold through a private placement 6,132,787 common shares at a price of CAN$0.08 per common share. The proceeds, net of issuance costs, were approximately $316,000.

xxiii) On March 29, 2001, the shareholders approved the issuance of 22,847,799 shares to certain officers and directors in lieu of salaries having been paid to such persons. The shares were assigned a value of CAN$0.075 per common share, the closing TSX price on March 29, 2001.

xxiv) On April 6, 2001, the Company sold through a private placement 4,884,707 units at CAN$0.06375 per unit; each unit comprised one common share and one half of one common share warrant. Each whole warrant entitled the holder thereof to subscribe for one additional common share at a price of CAN$0.085 per common share at any time on or before October 25, 2002. The Company also issued 728,471 broker warrants, exercisable at CAN$0.0956 per common share, expiring on April 5, 2005. In addition, 2,400,000 common shares were issued without warrants at CAN$0.06375 per common share. The proceeds, net of issuance costs, were $245,392, of which $20,549 was assigned to the warrants and $9,217 was assigned to broker warrants, using the Black-Scholes valuation model.

xxv) On June 20, 2001, the Company sold through a private placement 9,150,000 units at CAN$0.06375 per unit; each unit comprised one common share and one half of one common share warrant. Each whole warrant entitled the holder thereof to subscribe for one additional common share at a price of CAN$0.085 per common share at any time on or before December 20, 2002. In connection with this private placement, the Company also issued 480,000 broker warrants, each exercisable at CAN$0.0956 per common share, expiring on June 20, 2006. In addition, 2,400,000 common shares were issued, without warrants at CAN$0.06375 per share. The proceeds, net of issuance costs, were $433,657, of which $1,480 was assigned to the warrants and $590 was assigned to broker warrants, using the Black-Scholes valuation model.

xxvi) On September 30, 2001, the Company issued 1,646,408 units; each unit comprised one common share and one half of one common share warrant, to a drilling contractor for work performed on the Company's Lorito project. Each whole warrant entitles the holder thereof to subscribe for one additional common share at a price of CAN$0.10 per common share at any time on or before September 30, 2003 (note 11(a)). The shares were valued at the closing TSX price on September 30, 2001 totalling $41,997, and the warrants were assigned a nominal value of $741, using the Black-Scholes valuation model.

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xxvii) On September 30, 2001, the Company issued 666,000 units; each unit comprised one common share and one half of one common share warrant, to a financial consultant to develop financial markets in London and Australia. Each whole warrant entitles the holder thereof to subscribe for one additional common share at a price of CAN$0.10 per common share at any time prior to June 12, 2003. The shares were valued at the closing TSX price on September 30, 2001, totalling $16,988, and the warrants were assigned a nominal value of $150, using the Black-Scholes valuation model.

xxviii) On December 11, 2001, the Company issued 834,000 units, each unit comprised one common share and one half of one common share warrant, to a financial consultant to develop financial markets in London and Australia. Each whole warrant entitles the holder thereof to subscribe for one additional common share at a price of CAN$0.10 per common share at any time prior to June 12, 2003 (note 11(f)). The shares were valued at the closing TSX price on December 11, 2001, totalling $21,124, and the warrants were assigned a nominal value of $150, using the Black-Scholes valuation model. The board of directors authorized the issuance of the above common shares and warrants on June 14, 2001 to pay for these services.

xxix) On December 11, 2001, the Company issued 1,221,176 common shares to an environmental consulting firm for services on the Catedral project. The shares were valued at $30,945, the closing TSX price on December 11, 2001. The board of directors authorized the issuance of these common shares (note 8(c)(i)).

xxx) On February 12, 2002, the Company sold the balance of a private placement totalling 24,000,000 units at CAN$0.04125 per unit, each unit comprised one common share and one half of one common share warrant. Each whole warrant entitles the holder thereof to subscribe to one additional common share at a price of CAN$0.055 per common share 24 months from the date of issuance (note 11(g)). The first tranche of the private placement in the amount of 10,976,364 units was closed on February 1, 2002, and the second tranche of the private placement in the amount of 13,023,636 units was closed on February 12, 2002. In connection with this private placement, the Company also issued 2,400,000 broker warrants, each exercisable at CAN$0.055 per common share, expiring on February 12, 2004 (note 11(g)). Net proceeds of the placement were $527,098, of which $80,009 was assigned to the warrants and $16,002 was assigned to broker warrants. The values assigned to the warrants and the broker warrants were based on the Black-Scholes model valuation.

xxxi) On September 30, 2001, the Company recorded the issuance of 1,646,408 units, each unit comprised one common share and one half of one common share warrant, to a drilling contractor for work performed on the Company's Lorito project. Each whole warrant entitles the holder thereof to subscribe for one additional common share at a price of CAN$0.085 per common share at any time on or before September 30, 2003. The shares were valued at the closing TSX price on September 30, 2001, totalling $41,998, and the warrants were assigned a nominal value of $741, using the Black-Scholes valuation model (note 11(a)).

The necessary documentation to issue the shares was not processed through the TSX until the first quarter of 2002. By this time, the actual meters drilled by the contractor showed that the contractor was entitled to receive 1,470,007 units, which were issued on March 12, 2002. The exercise price

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entitling the holder of each whole warrant to subscribe for one additional share was increased to CAN$0.10 per share from CAN$0.085 per common share and the expiration date was changed to on or before March 12, 2004 from September 30, 2003. The shares were still valued at the closing TSX price on September 30, 2001, totalling $37,498, and the warrants were assigned a nominal value of $741, using the Black-Scholes valuation model (note 11(a)).

xxxii) During March 2002, participants in the April 6, 2001 and June 20, 2001 private placements exercised 1,625,833 warrants at a price of CAN$0.085 per common share for net proceeds of $84,131 (notes 11(b) and (c)).

xxxiii) On March 28, 2002, the Company sold through a private placement 24,000,000 units at CAN$0.06 per unit; each unit comprised one common share and one half of one common share warrant. Each whole warrant entitles the holder thereof to subscribe to one additional common share at a price of CAN$0.08 per common share 24 months from the date of issuance (note 11(h)). In addition, the Company sold 2,200,000 common shares without warrants at CAN$0.06 per common share. In connection with this private placement, the Company also issued 2,050,000 broker warrants, each exercisable at CAN$0.08 per common share and expiring on March 28, 2004. Net proceeds of the placement were $858,730, of which $122,661 was assigned to the warrants and $20,955 was assigned to the broker warrants. The values assigned to the warrants and to the broker warrants were based on the Black-Scholes valuation model.

xxxiv) The promissory note due on December 31, 2001, in the principal amount of CAN$600,000 ($378,000) and bears no interest until maturity but, thereafter, if there is a default, at the rate of 10% per annum accruing from March 13, 2000. Accrued and unpaid interest amounted to $73,912 as at February 28, 2002. The Company issued 1,366,516 common shares as payment of interest on the original note of $73,912. The shares were issued at CAN$0.08625 per common share, representing a 25% discount from the TSX closing price of CAN$0.115 on February 26, 2002.

xxxv) On March 27, 2002, the shareholders approved the issuance of 1,491,280 common shares to an officer of the Company in settlement of an employment contract. The shares were assigned a value of CAN$0.155 per common share, the closing TSX price on March 27, 2002, totalling $143,220.

xxxvi) Certain officers and directors purchased 11,661,368 common shares at CAN$0.04125 per common share. The issuance of these shares was subject to the approval by the Company's shareholders of a proposal to increase the Company's authorized share capital at its Annual General and Special Shareholders Meeting to be held on March 27, 2002. The shareholders approved such increase. Proceeds, net of issuance costs, were $278,323.

xxxvii) On August 19, 1998, the Pimenton noteholders agreed to extend the due date of the note from May 28, 1998 to December 31, 2000. As consideration, 900,000 warrants were issued with an exercise price of CAN$0.10 per common share, and were assigned a fair value of $30,000.

During the year ended September 30, 2002, these warrants were granted an extension and were accordingly revalued to a fair value amount of $90,302. The excess of this revalued fair value over the

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original fair value of $30,000, in the amount of $60,302, was charged to interest expense. On April 1, 2002, these warrants were exercised, and the net proceeds of CAN$90,000 ($56,439) were applied to notes payable (notes 10(a) and 11(e)).

xxxviii) During May 2002, the No. 5 debenture of the principal amount of CAN$500,000 ($315,000) was converted at a price of CAN$0.115 per common share and 4,347,826 shares were issued. Upon conversion in May 2002, the carrying value of the debenture of $192,374 and the fair value assigned to the convertible feature of the debenture of $45,000 in contributed surplus (note 13(b)) aggregating $237,374 were transferred to share capital.

xxxix) On July 12, 2002, the Company issued 1,470,007 units, each unit comprised one common share and one half of one common share purchase warrant to a drilling contractor for work performed on the Catedral project. Each whole warrant entitles the holder thereof to subscribe for one additional common share at a price of CAN$0.10 per common share at any time on or before July 12, 2004. The shares were valued at the closing TSX price of CAN$0.085 per common share on July 12, 2002, and the warrants were assigned a nominal value of $500, using the Black-Scholes valuation model (notes 11(k)) and 8(c)(ii)).

xl) On July 12, 2002, a participant in the June 20, 2001 private placement exercised 4,000,000 half warrants or 2,000,000 whole warrants at a price of CAN$0.085 per common share, for net cash proceeds of $108,975 (note 11(d)).

xli) On January 20, 21 and 28, 2003, participants in the February 2002 private placement exercised 2,206,061 warrants at a price of CAN$0.055 per common share, for net proceeds of $72,178. A value of $14,709 was transferred from the initial value assigned to these warrants to share capital (note 11(n)).

xlii) On January 28, 2003, a participant in the March 2002 private placement exercised 340,000 warrants at a price of CAN$0.08 per common share, for net proceeds of $17,835. A value of $3,475 was transferred from the initial value assigned to these warrants to share capital (note 11(o)).

xliii) On January 22, 2003, the promissory noteholder converted CAN$36,168 of such note into 314,500 common shares at a price of CAN$0.115 per common share, resulting in a reduction of $24,904 in the principal amount of the promissory note. In addition, $2,806 of the value initially assigned to the convertible feature of the note was transferred from contributed surplus to share capital upon conversion of the note (note 13(e)).

xliv) On February 4, 2003, the board of directors authorized issuance of 2,250,000 common shares to an officer of the Company pursuant to the terms of the bonus plan (note 8(d)) as compensation for services. The common shares were assigned a value of CAN$0.09 per share, the TSX closing price on February 4, 2003, and $133,487 was charged to salary expense.

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xlv) In connection with a private placement on April 6, 2001, the Company issued 728,471 broker warrants, exercisable at CAN$0.0956 per common share and expiring on April 5, 2005. The warrants were assigned a value of $9,217 (note 8(b)(xxiv)). On June 4, 2003, the TSX approved a reduction of the exercise price from CAN$0.0956 to CAN$0.065 per common share for these broker warrants, effective for the period from June 19, 2003 to June 29, 2003, following which date, the exercise price would return to CAN$0.0956 per common share. The warrants were revalued at $800. The excess of the original fair value over the revised fair value of $8,417 was transferred to deficit. The revalued warrants were subsequently exercised for net proceeds of $31,562. The $800 value assigned to the warrants was transferred to share capital (note 11(s)).

xlvi) In connection with a private placement on June 20, 2001, the Company issued 480,000 broker warrants, exercisable at CAN$0.0956 per common share and expiring on June 20, 2006. The warrants were assigned a value of $590 (note 8(b)(xxv)). On June 4, 2003, the TSX approved a reduction of the exercise price from CAN$0.0956 to CAN$0.065 per common share for these broker warrants, effective for the period from June 19, 2003 to June 29, 2003, following which date, the exercise price would return to CAN$0.0956 per common share. The warrants were revalued at $1,332. The deficit of the original fair value under the revised fair value of $742 was transferred to deficit. The revalued warrants were subsequently exercised for net proceeds of $20,797. The $1,332 value assigned to the revalued warrants was transferred to share capital (note 11(t)).

xlvii) In connection with a private placement on March 28, 2002, the Company issued 12,000,000 warrants, exercisable at CAN$0.080 per common share and expiring on March 28, 2004. The warrants were assigned a value of $122,661 (note 8(b)(xxxiii)). On April 25, 2003, the TSX approved a reduction of the exercise price from CAN$0.080 to CAN$0.060 per common share for these warrants, effective for the period from May 30, 2003 to June 10, 2003, following which date, the exercise price would return to CAN$0.080 per common share. The warrants were revalued at $27,204. The excess of the original fair value of $119,185 of the remaining warrants over the revalued fair value of $27,204, totalling $91,981, was transferred to deficit. From June 3, 2003 to June 10, 2003, 7,501,669 of these revalued warrants were subsequently exercised for net proceeds of $287,931. The $17,502 value assigned to these warrants was transferred to share capital (note 11(v)).

In addition, the exercise price for 2,050,000 broker warrants issued in connection with this private placement was also reduced from CAN$0.08 to CAN$0.06 for the same period. The broker warrants were revalued at $4,784. The excess of $20,956 of the original fair value over the revalued fair value of $4,784, totalling $16,172, was transferred to deficit. 2,050,000 of these revalued broker warrants were subsequently exercised for net proceeds of $89,813. The $4,784 value assigned to these revalued broker warrants was transferred to share capital (note 11(v)).

xlviii) During April 2003 and May 2003, participants in the February 12, 2002, private placement exercised 8,436,368 warrants at a price of CAN$0.055 per common share for net proceeds of $296,792. The $56,249 value assigned to these warrants was transferred to share capital (note 11(r)).

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In addition, 2,400,000 broker warrants issued in connection with this private placement were exercised at a price of CAN$0.055 per common share for net proceeds of $83,897. The $16,002 value assigned to these warrants was transferred to share capital (note 11(r)).

xlix) On August 29, 2003, a director exercised an option for 100,000 common shares at CAN$0.05 per share for net proceeds of $3,468.

l) On August 7, 2003, the board of directors authorized the issuance of 1,258,720 common shares to an officer of the Company pursuant to the terms of the bonus plan (note 8(d)), as compensation for services. The shares were assigned a value of CAN$0.045 per common share, the TSX closing price on August 7, 2003, and $40,012 was charged to salary expense.

c) Reserved shares

On June 14, 2001, the board of directors authorized the issuance of common shares and warrants of the Company to pay for certain services as follows:

	Number of shares	Number of warrants
Environmental services (i)	1,221,176	-
	(1,221,176)	-
Drilling services (ii)	2,940,014	1,470,007
	(2,940,014)	(1,470,007)
Strategy development services (iii)	2,000,000	1,000,000
	(1,500,000)	(750,000)
	500,000	250,000

i) Issued for environmental consulting services. None had been issued as at September 30, 2001. As at September 30, 2002, 1,221,176 shares had been issued. (note 8(b)(xxix)).

ii) Issued for drilling services. As at September 30, 2001, 1,646,408 shares and 823,304 warrants had been issued. During 2002, the shares and warrants originally issued were adjusted (note 8(b)(xxxi)); and the balance of the shares and warrants were issued (note 8(b)(xxxix)).

iii) Issued to develop strategy for the London and Australian financial markets. As at September 30, 2001, 666,000 shares and 333,000 warrants had been issued (note 8(b)(xxvii). During the year ended September 30, 2002, an additional 834,000 shares and 417,000 warrants were issued. All warrants expired on June 12, 2003 and were exercisable at CAN$0.10 per common share (notes 8(b)(xxviii) and 11(f)).

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d) Share option plan

The Company's share option plan is dated March 31, 1994, and was approved by shareholders on May 12, 1994. The share option plan was amended on January 28, 1997 and approved by shareholders on March 13, 1997 to increase the maximum number of shares issuable under the share option plan from 10% of its outstanding shares to 5,000,000 common shares. On March 29, 2001, shareholders approved a further amendment to the share option plan to:

i) increase the maximum number of common shares issuable under the share option plan by 18,500,000 common shares to a total of 23,500,000 common shares;

ii) provide that, in the event any options granted under the share option plan are not exercised in whole or in part before they are surrendered, terminate or expire, new options may be granted covering the number of common shares not so exercised; and

iii) establish within the share option plan a share bonus plan for eligible participants in the share option plan, such as the board of directors of the Company, where shares may be issued to the participants in consideration of the participants' contribution to the success of the Company.

On March 27, 2002, the shareholders approved another amendment to the share option plan to:

iv) increase the maximum number of common shares issuable under the share option plan from 23,500,000 common shares to 36,500,000 common shares; and

v) increase the maximum number of common shares issuable to eligible participants under the share bonus plan, within the share option plan, from 3,000,000 common shares to 4,000,000 common shares.

On March 27, 2003, the shareholders approved a further amendment to the share option plan to:

vi) increase the maximum number of common shares issuable under the share option plan from 36,500,000 common shares to 59,500,000 common shares; and

vii) increase the maximum number of common shares issuable to eligible participants under the share bonus plan, within the share option plan, from 4,000,000 common shares to 5,000,000 common shares.

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The Company had issued 3,545,000 share options prior to the share option plan amendments on March 29, 2001 and March 27, 2002, and 500,000 options had been exercised. During 2001, the number of issuable shares under the share option plan was reduced by 7,221,171 shares, at the request of the TSX, to cover the issuance of the equivalent number of common shares and warrants that were issued or reserved for issuance as explained in note 8(c), reserved shares. During 2002, the shareholders approved the issuance of 1,491,280 common shares to an officer of the Company in settlement of an employment contract (note 8(b)(xxxv)). The TSX approved the issuance of these shares provided the shares be removed from the share option plan and the bonus plan within the share option plan.

A summary of the Company's share option plan for the years ended September 30, 2003 and 2002 is presented below:

		2003
	Number of options	**Weighted average exercise price CAN$**
Outstanding - Beginning of year	19,870,000	0.07
Changes during the year		
Granted	28,735,000	0.08
Exercised	(100,000)	0.05
Expired	(4,270,000)	0.08
Outstanding - End of year	44,235,000	0.08
Exercisable - End of year	40,985,000	0.08

		2002
	Number of options	**Weighted average exercise price CAN$**
Outstanding - Beginning of year	4,330,000	0.07
Changes during the year		
Granted	15,600,000	0.07
Expired	(60,000)	0.06
Outstanding - End of year	19,870,000	0.07
Exercisable - End of year	17,995,000	0.07

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Share options outstanding as at September 30, 2003:

	Options outstanding			Options exercisable	
Exercise price $	**Number of shares**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price CAN$**	**Number of shares exercisable**	**Weighted average exercise price CAN$**
0.045	5,525,000	6.86	0.045	5,525,000	0.045
0.050	500,000	3.18	0.050	500,000	0.050
0.060	240,000	4.92	0.060	240,000	0.060
0.065	220,000	4.96	0.065	220,000	0.065
0.070	11,500,000	3.35	0.070	10,250,000	0.070
0.075	3,500,000	1.15	0.075	3,500,000	0.075
0.090	22,750,000	9.51	0.090	20,750,000	0.090
	44,235,000	6.80	0.077	40,985,000	0.077

Share options outstanding as at September 30, 2002:

	Options outstanding			Options exercisable	
Exercise price $	**Number of shares**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price CAN$**	**Number of shares exercisable**	**Weighted average exercise price CAN$**
0.050	1,270,000	2.30	0.050	1,270,000	0.050
0.070	11,500,000	4.30	0.070	9,625,000	0.070
0.075	3,500,000	1.90	0.075	3,500,000	0.075
0.085	3,600,000	1.30	0.085	3,600,000	0.085
	19,870,000	3.21	0.072	17,995,000	0.073

The exercise price of each option is generally the closing price of the Company’s stock on the TSX on the business day preceding the date on which the option is granted.

The Company follows the intrinsic value method in accounting for share options issued to employees. Accordingly, no compensation expense has been recognized for share options issued. If the Company had followed the fair value method of accounting, the Company would have recorded additional compensation expense totalling \$363,000 and \$148,000 respectively for the years ended September 30, 2003 and 2002.

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

The pro forma loss for each fiscal year and basic and diluted loss per share, had the Company followed the fair value method, is indicated below:

	2003 **$**	**2002** **$**
Loss for the year	1,341	5,058
Compensation expense	363	148
Pro forma loss for the year	1,704	5,206
Basic and diluted loss per share		
As reported	0.01	0.03
Pro forma	0.01	0.03

The fair value of the share options was estimated using the Black-Scholes valuation model with the following assumptions:

	2003 **%**	**2002** **%**
Risk-free rate	3.58 - 4.75	2.35
Dividend yield	-	-
Volatility factor	50	50
Weighted average expected life	8.90 years	4.31 years

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

9 Debentures

	2003 $	2002 $
Long-term liability - CAN$500,000	-	-

In January 2000, CapitalPro International, Inc. agreed to exchange its debenture for two new debentures as follows:

One replacement debenture was issued with a face value of CAN$2,700,000 with a maturity date of September 30, 2005 and interest payable at 5% per annum commencing on January 1, 2002. The replacement debenture was convertible into the Company's common shares at the rate of CAN$0.20 to CAN$0.50 per common share. Interest was payable at the Company's option in either cash or the issuance of common shares. There were full dilution provisions and covenants restricting borrowing powers. Based on a CAN$0.20 conversion price and assuming full conversion, 13,500,000 of the Company's common shares would have been issuable.

This debenture was recorded at a fair value of $730,606, and a fair value of $23,197 was assigned to its convertible feature. The fair value of the debenture was determined by using management's best estimate of a quarterly risk rate of return of 5%. In the month and quarter ended December 31, 1999, the Company's shares traded at an average price of CAN$0.05 and CAN$0.06 per common share, which was 75% to 70% below the conversion price of CAN$0.20 per common share. It was decided to assign a nominal fair value of CAN$0.0025 per common share to the convertible feature, resulting in a fair value of $23,197 being added to contributed surplus. This refinancing resulted in a gain of $1,087,000.

In April 2000, the CAN$2,200,000 face value of this debenture was converted into 11,000,000 common shares leaving a remaining principal amount of CAN$500,000 ($315,000) outstanding.

In consideration for the debenture holder waiving all interest earned by it under the debenture for 2002, the Company agreed on the following:

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

a) On March 1, 2002, the Company issued a No. 5 debenture of a principal amount of CAN$500,000 ($315,000) with a maturity date of October 31, 2005 and interest payable at 5% per annum commencing on January 1, 2003. The No. 5 debenture was convertible into shares of the Company at a conversion price of CAN$0.115 per common share and was recorded at its fair value of $182,105. The fair value of the No. 5 debenture was determined using an annual risk rate of return of 20%. A fair value of $45,000 was assigned to the convertible feature of the No. 5 debenture, using the Black-Scholes valuation model and was added to contributed surplus (note 13(b)). This refinancing resulted in a loss of $46,883. During May 2002, the No. 5 debenture was converted into 4,347,826 common shares (note 8(b)(xxxviii)).

b) The Company issued 4,347,826 warrants to purchase common shares of the Company at CAN$0.115 per common share, expiring two years from the date of issuance. The warrant was assigned a fair value of $30,930 using the Black-Scholes valuation model (note 11(j)).

The issuance of the above securities was approved at the Company's Annual General and Special Shareholders Meeting on March 27, 2002 when an increase in the Company's authorized share capital was approved.

10 Notes payable

	2003 $	2002 $
Pimenton notes (a)	1,458	1,216
Promissory notes (b)	384	299
	1,842	1,515

a) In 1999, Pimenton, a wholly owned subsidiary of the Company, purchased from Messrs. Thomson (an officer and director of the Company) and Bernstein an additional 44% interest in Pimenton's principal gold prospect, increasing its interest to 100%. On the purchase, $2,000,000 was paid, and the payment of the balance of the purchase of a further $2,000,000 was payable before May 29, 1998 for consideration, and, subject to certain conditions. The noteholders agreed to extend the due date from May 28, 1998 to December 31, 2000 (note 6(a)).

In January 2000, because of the requirement of a potential lender to the Company's Cal Norte project, the noteholders of the $2,000,000 notes agreed to a further extension of the due date to December 31, 2005, and under certain conditions to December 31, 2007. In consideration for such extension, the Company issued to each of the noteholders a warrant entitling each of them to purchase 3,000,000 common shares of the Company at CAN$0.51 per share. The total number of shares to be issued would be 6,000,000. Interest on the Pimenton notes is 5% per annum, commencing on January 1, 2000, payable only at the end of any 90-day consecutive period, and only for that period in which the price of gold trades above US$300 per ounce (note 19).

The Pimenton notes and warrants were recorded at their fair market values of $620,000 and $7,500, respectively. The fair value of the notes was determined using a quarterly risk rate of return of 5%. This refinancing resulted in a gain of $1,348,000.

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During the year ended September 30, 2002, the noteholders exercised 900,000 warrants for CAN$90,000 or $56,439. The warrant proceeds were applied to reduce the principal and face amount of the notes payable outstanding (note 8(b)(xxxvii)).

The notes were accreted to $1,458,340 as at September 30, 2003, with $242,612 being charged to interest expense for the year then ended (2002 - $234,406). By December 31, 2005, the value of the note will have been accreted to $1,943,561, the original face value due on the Pimenton purchase, less the warrant proceeds applied.

The consolidated debt includes the debt of Pimenton, none of which is guaranteed by the Company.

b) During fiscal 2000, the Company issued a unit consisting of: (a) a promissory note in a principal amount of CAN$600,000 ($412,400), maturing on December 31, 2001, bearing no interest until maturity but, thereafter, if there is a default, at the rate of 10% per annum accruing from March 13, 2000; and (b) a share purchase warrant entitling the holder to purchase 1,818,182 common shares of the Company on or before March 31, 2005, at CAN$0.165 per share.

Accrued and unpaid interest on the promissory note amounted to $73,912 as at February 28, 2002. Subsequent to March 31, 2002, the accrued and unpaid interest on the original promissory note was paid by the issuance of 1,366,516 common shares of the Company (note 8(b)(xxxiv)).

On March 1, 2002, the Company issued a new promissory note in a principal amount of CAN$600,000 ($378,000) with a maturity date of December 31, 2004, interest payable at 5% per annum commencing on March 1, 2002, and 5,217,391 warrants in payment of the original promissory note. The new promissory note is convertible into shares of the Company at a conversion price of CAN$0.115 per common share and has been recorded at its fair value of $260,634, using an annual risk rate of return of 20%. The fair value of the convertible feature of the note was $46,557 using the Black-Scholes valuation model, which amount was credited to contributed surplus (note 13(a)).

The warrants are exercisable at CAN$0.115 per common share, expire on December 31, 2004, and were valued at $46,557 using the Black-Scholes valuation model (note 11(i)).

This refinancing resulted in a loss of $23,472 in 2002.

On January 22, 2003, the promissory noteholder converted CAN$36,168 of the note into 314,500 common shares at a price of CAN$0.115 per share, resulting in a reduction of $24,904 in the principal amount of the promissory note. In addition, $2,806 of the value initially assigned to the convertible feature of the note was transferred from contributed surplus to share capital upon conversion (notes 8(b)(xliii) and 13(e)).

The note contains covenants, including a financial covenant, requiring the maintenance of minimum working capital of $100,000, and its borrowing capacity is limited to its current debt, obligations under leases or as specifically permitted under the agreement.

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During the year, the Company did not meet all the covenants of this promissory note and the lender granted the Company a waiver with respect to such covenants, including the maintenance of a minimum working capital requirement and the payment of interest on the Pimenton notes until April 30, 2004. In addition, any interest due under this promissory note through February 28, 2003 will become part of this note's principal and the conversion price of CAN$0.115 per common share will be renegotiated subject to TSX approval (note 19).

The promissory note increased to $383,836 as at September 30, 2003, due to accretion of $44,959 being charged to interest expense, a foreign exchange loss of $45,356 and interest of $19,078, less $24,904 of principal converted to common shares (2002 - $38,803 accretion charged to interest expense).

11 Warrants

	Number of warrants issued	$
September 30, 2001	25,100,211	201
Services - drilling (a)	(88,200)	-
Exercise of warrants (b)	(250,833)	(2)
Exercise of warrants (c)	(1,375,000)	-
Exercise of warrants (d)	(2,000,000)	(1)
Revaluation of warrants (e)	-	60
Exercise of warrants (e)	(900,000)	(90)
Warrants issued (f)	417,000	-
Warrants issued (g)	12,000,000	80
Warrants issued (g)	2,400,000	16
Warrants issued (h)	12,000,000	123
Warrants issued (h)	2,050,000	21
Warrants issued (i)	5,217,391	46
Warrants issued (j)	4,347,826	31
Warrants issued (k)	735,003	-
September 30, 2002	59,653,398	485
Warrants expired (l)	(2,191,521)	(18)
Warrants expired (m)	(1,200,000)	-
Exercise of warrants (n)	(2,206,061)	(15)
Exercise of warrants (o)	(340,000)	(4)
Revaluation of warrants (p)	-	(92)
Revaluation of warrants (q)	-	(16)
Exercise of warrants (r)	(8,436,368)	(56)
Exercise of warrants (r)	(2,400,000)	(16)
Revaluation of warrants (s)	-	(8)
Revaluation of warrants (t)	-	1
Exercise of warrants (s)	(728,471)	(1)
Exercise of warrants (t)	(480,000)	(1)
Warrants expired (u)	(417,000)	-

(all tabular amounts are expressed in thousands of U.S. dollars, except number of shares and per share data)

	Number of warrants issued	**$**
Exercise of warrants (v)	(7,501,669)	(18)
Exercise of warrants (v)	(2,050,000)	(5)
Warrants expired (w)	(333,000)	-
September 30, 2003	31,369,308	236

a) On September 30, 2001, 823,204 warrants, exercisable at CAN$0.085 per common share, were issued in connection with a drilling contract with Mount Scopus LTDA, expiring on September 30, 2003, having a value of $741, using the Black-Scholes valuation model. Subsequent to September 30, 2001, it was determined that the contractor was entitled to only 735,004 warrants, and the exercise price was increased to CAN$0.10 (notes 8(b)(xxvi) and (xxxi)).

b) On March 20, 2002, participants in the April 6, 2001 private placement exercised 250,833 warrants at a price of CAN$0.085 per common share (notes 8(b)(xxiv) and (xxxii)).

c) During March 2002, participants in the June 20, 2001 private placement exercised 1,375,000 warrants at a price of CAN$0.085 per share (notes 8(b)(xxv) and (xxxii)).

d) On July 12, 2002, participants in the June 20, 2001 private placement exercised 2,000,000 warrants at a price of CAN$0.085 per common share (notes 8(b)(xxv) and (xl)).

e) During the year ended September 30, 2002, the warrants referred to in note 8(b)(xxxvii) were increased in value by $60,302. On April 1, 2002, these warrants were exercised and their carrying value of $90,302, together with their exercise amount of $56,439 (note 8(b)(xxxvii)), was transferred to share capital.

f) On December 11, 2001, the Company issued 417,000 warrants, exercisable at CAN$0.10 per common share, expiring on June 12, 2003, to a financial consultant to develop financial markets in London and Australia. The warrants were assigned a nominal value of $150, using the Black-Scholes valuation model (note 8(b)(xxviii)).

g) On February 12, 2002, the Company issued 12,000,000 warrants and 2,400,000 broker warrants, each exercisable at CAN$0.055 per common share and expiring in 24 months, and valued at $80,009 and $16,002 respectively, based on the Black-Scholes valuation model (note 8(b)(xxx)).

h) On March 28, 2002, the Company issued 12,000,000 warrants and 2,050,000 broker warrants, each exercisable at CAN$0.08 per common share, expiring in 24 months and valued at $122,661 and $20,955, respectively, based on the Black-Scholes valuation model (note 8(b)(xxxiii)).

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i) On March 1, 2002, the Company issued 5,217,391 warrants, exercisable at CAN$0.115 per common share, expiring on December 31, 2004 and valued at $46,557 using the Black-Scholes valuation model, in connection with the refinancing of a promissory note (note 10(b)).

j) On March 1, 2002, the Company issued 4,347,826 warrants exercisable at CAN$0.115 per common share, expiring on February 29, 2004 and valued at $30,930 using the Black-Scholes valuation model, in connection with the refinancing of a debenture (note 9(b)).

k) On July 12, 2002, the Company issued 735,003 warrants exercisable at CAN$0.10 per common share, expiring on July 12, 2004, to a drilling contractor for work performed on the Catedral project. The warrants were assigned a nominal value of $500 using the Black-Scholes valuation model (note 8(b)(xxxix)).

l) Warrants expired on October 25, 2002.

m) Warrants expired on December 13, 2002.

n) On January 20, 21 and 28, 2003, participants in the February 2002 private placement exercised 2,206,061 warrants at a price of CAN$0.055 per share (notes 8(b)(xxx), (xli) and 11(g)).

o) On January 28, 2003, a participant in the March 2002 private placement exercised 340,000 warrants at price of CAN$0.08 per common share (notes 8(b)(xxxiii), (xlii) and 11(h)).

p) The warrants issued in connection with the March 28, 2002 private placement were revalued. The warrants were assigned a value of $122,661. On April 23, 2003, the TSX approved a reduction of the exercise price from CAN$0.08 to CAN$0.06 per common share for these warrants, effective for the period from May 30, 2003 to June 10, 2003, following which date, the exercise price would return to CAN$0.08 per common share. The warrants were revalued at $27,304. The excess of the remaining original fair value ($119,185) over the revalued fair value of $91,982 was transferred to deficit (notes (8(b)(xxxiii), (8(b)(xlvii) and 11(h)).

q) The broker warrants issued in connection with the March 28, 2002 private placement were revalued. The exercise price for 2,050,000 broker warrants issued in connection with this private placement was also reduced from CAN$0.08 to CAN$0.06 per common share for the same period. The broker warrants were revalued at $4,783. The excess of the original fair value ($20,956) over the revalued fair value of $16,172 was transferred to deficit.

r) During April and May 2003, participants in the February 12, 2002 private placement exercised 8,436,368 at a price of CAN$0.055 per common share. In addition, 2,400,000 broker warrants were exercised at a price of CAN$0.055 per common share (notes 8(b)(xxx), (xlviii) and 11(g)).

s) The 728,471 broker warrants issued in connection with the April 6, 2001 private placement were revalued. The warrants were initially assigned a value of $9,217. On June 4, 2003, the TSX approved a reduction of the exercise price from CAN$0.0956 to CAN$0.065 per common share for these broker warrants, effective for the period from June 19, 2003 to June 29, 2003, following which date the exercise price would return to

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CAN$0.0956 per common share. The warrants were revalued at $800. The excess of the original fair value over the revised fair value of $8,417 was transferred to deficit. The warrants were exercised for net proceeds of $31,562. The $800 value assigned to the warrants was transferred to share capital (notes 8(b)(xxiv) and (xlv)).

t) The broker warrants issued in connection with the June 20, 2001 private placement were revalued. The Company issued 480,000 broker warrants, exercisable at CAN$0.0956 per common share and expiring on June 20, 2006. The warrants were assigned a value of $590. On June 4, 2003, the TSX approved a reduction of the exercise price from CAN$0.0956 to CAN$0.065 per common share for these broker warrants, effective for the period from June 19, 2003 to June 29, 2003, following which date the exercise price would return to CAN$0.0956 per common share. The warrants were revalued at $1,332. The deficit of the original fair value under the revised fair value of $742 was transferred to deficit. The warrants were exercised for net proceeds of $20,797. The $1,332 value assigned to the warrants was transferred to share capital. (notes 8(b)(xxv), (xlvi) and 11(d)).

u) Warrants expired on June 12, 2003 (notes 11(f) and 13(f).

v) From June 3, 2003 to June 10, 2003, participants in the March 28, 2002 private placement exercised 7,501,669 warrants at a price of CAN$0.06 per share. In addition 2,050,000 broker warrants were exercised at a price of CAN$0.06 per share (notes 8(b)(xxxiii), (xlvii) and 11(h), (p) and (q)).

w) Warrants expired on September 30, 2003 (note 13(g)).

The following table summarizes information about the warrants outstanding as at September 30, 2003:

Number of warrants outstanding	Weighted average remaining warrant life (years)	Weighted average exercise price CAN $
18,333,735	0.43	0.093
7,035,573	1.32	0.126
6,000,000	2.25	0.510
31,369,308		

12 Segmented information

Substantially all of the Company's assets are located in Chile. Of the Company's operating expenses of $1,818,000, approximately $858,000 relates to the Chilean activities, with the remainder reflecting primarily corporate activities in Canada and Bermuda. The gain on the revaluation of warrants similarly reflects financing activities in Canada and Bermuda.

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13 Contributed surplus

	$
September 30, 2001	253
Convertible note (a)	47
Convertible debenture (b)	-
September 30, 2002	300
Warrants expired (c)	18
Warrants expired (d)	-
Convertible note (e)	(3)
Warrants expired (f)	-
Warrants expired (g)	-
September 30, 2003	315

a) A fair value of $46,557, based on the Black-Scholes valuation model, was assigned to the convertibility of a new promissory note issued to refinance an existing note and credited to contributed surplus (note 10(b)).

b) A fair value of $45,000 (note 9(a)), based on the Black-Scholes valuation model, was assigned to the convertible feature of a new debenture issued to refinance an existing debenture and was credited to contributed surplus. The debenture was subsequently converted and this amount was credited to share capital (note 8(b)(xxxviii)).

c) Warrants expired on October 25, 2002 (note 11(l)).

d) Warrants expired on December 13, 2002 (note 11(t)).

e) Upon conversion of promissory notes into common shares referred to in note 8(b)(xliii), $2,806 of the value initially assigned to the convertible feature of the note was transferred from contributed surplus.

f) Warrants expired on June 12, 2003 (note 11(u)).

g) Warrants expired on September 30, 2003 (note 11(w)).

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14 Commitments and contingencies

a) Commitments

Project	Description	Total potential commitment $	Paid-to-date $
Catedral and Rino	a loan for development costs (note 6(b))	up to 2,500	250
	to the owner of another section of the property - $275,000, issuance of 1,824,815 common shares of the Company valued at $125,000, and the balance of $150,000 due January 25, 2010, payable at owner's option in the Company's shares issued at a 15% discount from the market at that date but not less than CAN$0.20 per share; the Company can prepay this amount at any time	275	125
Cal Norte	capital contribution of $1,800,000 to earn 60% equity interest (note 6(d))	1,800	1,082

b) Contingencies

The Company has deferred the annual payments of its exploration and mining rights held in Vizcachas relating to the Antena and Catedral projects. Antena has three years of outstanding payments and Catedral has four years of outstanding payments, both to March 31, 2003.

No amounts have been provided in these accounts in the event that the Company should sustain a loss upon the ultimate resolutions of these matters in (a) and (b) above. Any loss will be recorded in the consolidated statements of operations and deficit prospectively in the year in which the matters are resolved.

15 Related party transactions

A Company owned by an officer, a director and a shareholder of the Company was paid approximately $87,000 in 2003 (2002 - $54,000) for the provision of office space and services to the Company.

A law firm, of which an officer is a member, was paid approximately $47,000 in 2003 (2002 - $129,000) for the provision of legal services. These services were provided at rates similar to those charged to non-related parties.

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Other current assets include non-interest bearing advances to an officer and a director of the Company of $171,871 and $68,928 as at September 30, 2003 and 2002, respectively. These advances are due on demand.

An officer of the Company was paid $40,400 for accounting services rendered to the Company in 2003 (2002 - $nil).

Accounts payable and accrued liabilities include $70,591 and $22,027 as at September 30, 2003 and 2002, respectively, for interest due to an officer and director of the Company who holds one of the Pimenton notes in the amount of $968,645 (notes 6(a) and 10(a)). Two officers and directors of the Company hold the non-controlling shareholders' interest in Catedral (note 6(b)).

16 Financial instruments

The Company's financial instruments consist of cash and cash equivalents, other current assets, other assets, accounts payable and accrued liabilities, other current liabilities and notes payable, carried at historical cost. The fair values of the short-term financial assets and liabilities, notes payable and debentures approximate their carrying amounts because of the short period to receipt or payment of cash. It is not practicably possible, within the constraints of cost and limited market for such instruments, to determine the current fair values of notes payable.

The Company's operations expose it to significant fluctuations in foreign exchange rates. The Company's promissory note and accrued interest thereon are denominated in Canadian dollars and are, therefore, subject to exchange variations against the Company's reporting currency, the U.S. dollar.

The Company does not use financial instruments to mitigate the risk of currency fluctuation for assets and liabilities that are denominated in currencies other than the U.S. dollar.

17 Supplemental cash flow information

	2003 **$**	**2002** **$**
Net (increase) decrease in non-cash working capital balances related to operations is as follows:		
Other current assets	(115)	32
Accounts payable and accrued liabilities, excluding interest in accrued liabilities and shares issued in settlement of accounts payable (note 8(b)(xxxv))	(70)	(31)
Other liabilities	320	34
	135	35

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	2003 $	2002 $
Significant non-cash financing and investing activities		
Debenture converted to share capital (notes 8(b)(xxxviii), (xliii) and 10(b))	25	237
Warrants issued in settlement of debenture (notes 9(b) and 11(j))	-	31
Replacement notes, excluding convertible feature ($46,557) and warrants ($46,557) (notes 10(b), 11(i) and 13(a)), net	-	(117)
Shares issued in payment of exploration properties (notes 8(b)(xxxi) and (xxxix))	-	70
Warrants converted to share capital (notes 11(b), (c), (d), (e), (o), (r), (s), (t) and (v))	115	93
Contributed surplus (note 10(b),13(a), (c), (e) and 11(l))	15	3
Warrant proceeds applied to notes payable (note 9(a))	-	57
Other information		
Income taxes paid	-	-
Interest paid	61	8

18 Comparative amounts

Certain of the prior year's amounts have been reclassified to conform with the current year's financial statement presentation.

19 Subsequent events

Promissory note

As discussed in note 10(b), the Company attempted to renegotiate certain terms of the promissory note. The discussions to renegotiate the conversion price of the promissory note were not successful and, on October 31, 2003, the note was amended to add the interest due through February 28, 2003 to the principal, and expressly confirmed that all other provisions of the note shall continue in full force and effect. On December 9, 11, and 16, 2003 and January 12, 2004, the promissory noteholder converted the balance of the note into 5,148,035 common shares resulting in a loss on conversion of $71,068 (note 10(b)).

Private placement

During November 2003, the Company sold through a private placement 49,880,214 units at CAN $0.07 per unit; each unit consisting of one common share and one half of one common share purchase warrant to purchase a further common share at CAN$0.09 per share at any time within 24 months of the date of issue. The private placement closed in three tranches on November 10, 25 and 27, 2003. In connection with this private placement, the Company also issued 4,974,271 broker warrants, each exercisable at CAN$0.09 per share,

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expiring 24 months from the date of issue. Net proceeds of the placement were $2,347,149, of which $167,758 was assigned to warrants and $33,459 was assigned to the broker warrants, using the Black-Scholes valuation model.

On December 10, 2003, the Company sold through a private placement 40,000,000 units at CAN$0.07875 per unit, each unit consisting of one common share and one half of one common share purchase warrant to purchase a further common share at CAN$0.105 per share at any time within 36 months of the date of issue. In connection with this private placement, the Company also issued 3,585,588 broker warrants, each exercisable at CAN$0.105 per share, expiring 36 months from the date of issue. Net proceeds of the placement were $2,150,884, of which $194,870 was assigned to the warrants and $34,936 was assigned to the broker warrants, using the Black-Scholes valuation model.

New financing

On March 20, 2003, the Company filed a loan application with the Overseas Private Investment Corporation (OPIC), headquartered in Washington, DC, to finance part of the estimated $4,000,000 required to restart operations at Pimenton. Following receipt of the report from a mining engineering consulting firm and further due diligence by OPIC, the Company entered into a loan commitment agreement dated October 29, 2003 and on December 29, 2003, signed a loan agreement for $2,800,000 in project financing.

In connection with the OPIC financing, the Pimenton note holders have agreed to defer the repayment of their note until one year subsequent to the final repayment of the OPIC note. On January 30, 2004, the Company drew down $1,200,000 of the OPIC commitment.

Cancellation of warrants

On December 9, 2003, David Thomson and Merwin Berstein, cancelled 6,000,000 common share purchase warrants without any monetary compensation which were issued in 2000 at an exercise price of CAN$0.51 per common share. Subject to TSE approval, the Company will issue replacement common share purchase warrants having an exercise price of CAN$0.25 per common share and an expiry date of 24 months following the date on which the loan from the OPIC is repaid in full by Pimenton.