

CONSOLIDATED FINANCIAL STATEMENTS

STRATABOUND MINERALS CORP.

December 31, 2000 and 1999



Chartered Accountants
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AUDITORS' REPORT

To the Shareholders of
Stratabound Minerals Corp.

We have audited the consolidated balance sheets of **Stratabound Minerals Corp.** as at December 31, 2000 and 1999 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 Stratabound Minerals Corp. as at December 31, 2000 and 1999 and the results of its operations and the changes in its cash flows for the years then ended in accordance with generally accepted accounting principles in Canada.

[signed Luna Clark and Associates]

Calgary, Canada
April 6, 2001

Chartered Accountants

Stratabound Minerals Corp.

CONSOLIDATED BALANCE SHEETS

As at December 31

	2000	1999
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	108,997	45,255
Marketable securities	19,200	4,200
Accounts receivable	6,980	47,408
Prepays	1,586	—
	136,763	96,863
Capital assets [note 4]	17,193	24,047
Mineral properties [note 5]	4,561,850	4,951,664
	4,715,806	5,072,574
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	21,793	30,931
Reclamation provision	10,800	10,800
	32,593	41,731
Shareholders' equity		
Share capital [note 6]	7,308,661	6,747,928
Deficit	(2,625,448)	(1,717,085)
	4,683,213	5,030,843
	4,715,806	5,072,574

See accompanying notes

Approved on behalf of the Board of Directors:

(Signed) "Stan Stricker" _____ Director (Signed) "Michael Mann" _____ Director

Stratabound Minerals Corp.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Years ended December 31

	2000	1999
	\$	\$
Revenue		
Interest	3,757	3,458
Petroleum	896	857
	<u>4,653</u>	<u>4,315</u>
Expenses		
General and administrative <i>[schedule 1]</i>	235,998	241,505
Depletion and amortization	6,896	7,796
Petroleum	1,006	1,831
	<u>243,900</u>	<u>251,132</u>
Loss from operations	239,247	246,817
Abandoned properties <i>[note 5]</i>	669,116	—
	<u>908,363</u>	<u>246,817</u>
Net loss for the year	908,363	246,817
Deficit, beginning of year	1,717,085	1,470,268
	<u>2,625,448</u>	<u>1,717,085</u>
Deficit, end of year	2,625,448	1,717,085
Loss per share	<u>0.102</u>	<u>0.031</u>

See accompanying notes

Stratabound Minerals Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	2000	1999
	\$	\$
CASH WAS PROVIDED BY (USED FOR):		
Operating activities		
Net loss for the year	(908,363)	(246,817)
Items not involving cash		
Depletion and amortization	6,896	7,796
Abandoned properties	669,116	—
Funds from operations	(232,351)	(239,021)
Changes in non-cash working capital balances		
Accounts receivable	40,428	(41,063)
Prepays	(1,586)	2,735
Reclamation bonds	³ / ₄	11,550
Accounts payable and accrued liabilities	(9,138)	(24,448)
	(202,647)	(290,247)
Financing activities		
Issuance of share capital, net of share issue costs	560,733	358,150
Investing activities		
Proceeds on option of property	24,300	—
Expenditures on mineral properties	(318,644)	(284,922)
	(294,344)	(284,922)
Increase (decrease) in cash and cash equivalents for the year	63,742	(217,019)
Cash and cash equivalents, beginning of year	45,255	262,274
Cash and cash equivalents, end of year	108,997	45,255
Funds from operations per share	(0.026)	(0.030)

See accompanying notes

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

1. FUTURE OPERATIONS

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

These financial statements have been prepared on the going concern basis and do not include any adjustments that may be required should the Company be unable to continue as a going concern. The recoverability of the cost of mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of properties.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations, which have been made using careful judgement. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Principles of consolidation

The consolidated financial statements include the accounts of Compania Minera Stratamex, S.A. de C.V., which is wholly owned by the Company. The subsidiary was incorporated in Mexico on April 9, 1997.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments.

Marketable securities

Marketable securities are recorded at the lower of cost and quoted market value. At December 31, 2000, the cost of these marketable securities was \$19,200 (1999 – \$4,200) and the quoted market value was \$19,289 (1999 – \$4,180).

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Mineral properties and related deferred expenditures

The Company capitalizes the cost of acquiring mineral property claims and exploration costs that are directly related to specific mineral property claims until the extent of mineralization has been determined and the mineral claims are either developed, abandoned or allowed to lapse. Proceeds from the sale of royalty interests or option payments received are considered incidental revenue during the pre-production period and are credited to mineral properties and related deferred expenditures. If no future capital expenditure is required and proceeds exceed cost, the excess amount is reported as a gain on disposal.

Upon commencement of commercial production, the cost of mineral claims and related deferred costs will be amortized against income from the project using the unit-of-production method. Costs that are not considered economically recoverable through mining operations or through the sale of properties, and costs related to projects that are allowed to lapse, are expensed during the period. Provisions may be made if, in the opinion of management, there is impairment in value that is other than temporary.

The recoverability of the book value of mineral properties is evaluated periodically. Estimated future net cash flows from each property is calculated, where information is available, using estimates of proven, probable and possible ore reserves, estimated commodity prices and operating, capital and reclamation costs on an undiscounted basis. If the remaining investment in mineral properties exceeds the estimate of undiscounted cash flows, reductions in the carrying value of each property are recorded to the extent the remaining investment exceeds the estimate of undiscounted cash flows.

Management's estimates of commodity prices, recoverable proven, probable and possible reserves, and operating, capital and reclamation costs are subject to risks and uncertainties of change affecting the recoverability of the Company's investment in mineral properties. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur in the near term which could adversely affect management's estimate of net cash flows expected to be generated from its properties and the need for asset impairment write downs.

Options

Where the Company enters into option agreements for the acquisition of interests in mineral properties that provide for periodic payments, such amounts are not recorded as liabilities since they are payable at the Company's option. Such payments, when made, are recorded as costs of the properties to which they relate.

Stratabound Minerals Corp.

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Oil and gas properties

The Company follows the full cost method of accounting for oil and gas expenditures. Capitalized costs include land acquisition, geological and geophysical expenses, lease rentals, and costs of drilling both productive and non-productive wells. Capitalized costs, including production equipment, are depleted by the unit-of-production method based on the Company's share of estimated proven reserves of oil and gas as determined by independent engineers converting gas to oil equivalent on an energy equivalent basis. Costs of undeveloped acreage are excluded from this calculation until proved oil and gas reserves are assigned, or such leases are surrendered.

Proceeds from the disposal of properties are applied as a reduction of the cost of the remaining assets, except when such a disposal would alter the depletion and amortization rates by more than 20 percent, in which case a gain or loss on disposal would be recorded.

Site restoration and abandonment

The estimated cost of site restoration and abandonment is based on the current cost, the anticipated method and extent of restoration and abandonment anticipated in accordance with existing legislation and industry practice. Estimated costs of future site abandonment and restoration of mineral properties and well sites and associated facilities are amortized over the life of the properties on a unit-of-production basis. The provision is recorded on the consolidated statement of loss together with depletion and amortization. When expenditures are made to restore a property, the accumulated provision is charged with these expenditures.

Joint operations

These consolidated financial statements reflect only the Company's proportionate interest in exploration and production activities conducted jointly with others.

Amortization

Amortization of office equipment is provided using the declining balance method at rates between 20% and 30%.

Stock-based compensation

The Company has a stock-based compensation plan. When stock options are issued to directors, officers, employees or consultants no compensation expense is recorded in the accounts. However, consideration received upon the exercise of stock options is credited to share capital.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect on the dates the assets were acquired or liabilities were assumed. Revenues and expenses are translated at rates of exchange prevailing on the transaction dates. Gains and losses on translation are reflected in income when incurred.

3. CHANGE IN ACCOUNTING POLICY

Per share amounts

The Company has adopted retroactively the Treasury Stock Method of calculating diluted per share amounts. Under this method, deemed proceeds from the exercise of employee stock options are used to acquire common shares at an average share price. This change in accounting policy has had no effect on the 2000 and 1999 per share amounts.

The weighted average number of shares outstanding during the year was 8,875,058 (1999 – 8,078,084 shares). There was no significant difference between basic and diluted per share amounts.

4. CAPITAL ASSETS

	2000		
	Cost	Accumulated Depletion and Amortization	Net Book Value
	\$	\$	\$
Oil and gas properties	35,084	26,040	9,044
Office equipment	45,702	37,553	8,149
	80,786	63,593	17,193

	1999		
	Cost	Accumulated Depletion and Amortization	Net Book Value
	\$	\$	\$
Oil and gas properties	35,044	21,760	13,284
Office equipment	45,702	34,939	10,763
	80,746	56,699	24,047

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

5. MINERAL PROPERTIES

	Bathurst \$	Swan/Rap \$	Canada Total \$	Coahuila, Mexico \$	Total \$
Cost – December 31, 1998	3,096,822	533,337	3,630,159	1,227,325	4,857,484
Acquisition costs	9,646	—	9,646	119,726	129,372
Deferred exploration	8,581	—	8,581	146,969	155,550
	3,115,049	533,337	3,648,386	1,494,020	5,142,406
Accumulated depletion	(190,742)	—	(190,742)	—	(190,742)
December 31, 1999	2,924,307	533,337	3,457,644	1,494,020	4,951,664
Cost – December 31, 1999	3,115,049	533,337	3,648,386	1,494,020	5,142,406
Acquisition costs	3,706	—	3,706	168,898	172,604
Deferred exploration	350	—	350	145,648	145,998
Recoveries	(39,300)	—	(39,300)	—	(39,300)
Abandoned properties	(135,779)	(533,337)	(669,116)	—	(669,116)
	2,944,026	—	2,944,026	1,808,566	4,752,592
Accumulated depletion	(190,742)	—	(190,742)	—	(190,742)
December 31, 2000	2,753,284	—	2,753,284	1,808,566	4,561,850

During 2000, the Company's mineral properties were non-producing and were not subject to depletion.

For the years ended December 31, 2000 and 1999, the Company did not charge any amount to income for future site abandonment and restoration costs.

Bathurst, Canada

The Company holds a major land position including 15,760 acres (6,378 hectares) in the Bathurst Mining Camp region in New Brunswick, Canada. During the year, the Company entered into an option agreement with Eastmain Resources Inc., which allows Eastmain to earn an initial 50% interest in certain of the Bathurst properties by incurring \$1,500,000 of exploration and development expenditures over five years. Eastmain has the option to earn an additional 10% interest in the properties by spending a further \$1,000,000 on exploration.

During the year the Company abandoned its Stratmat North property and accordingly has recorded a write-off of \$135,779.

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Swan/Rap, Canada

The Company has abandoned its land position in the Swan/Rap properties comprising 14,764 acres (5,975 hectares) in northeast British Columbia, Canada. Costs written off amounted to \$533,337.

Coahuila, Mexico

The Company owns or has the option to earn a 100% interest in these base metals and silver prospects in the northeastern Mexican state of Coahuila. The Company owns or has under option a total area of 44,261 hectares.

6. SHARE CAPITAL

Authorized

An unlimited number of common shares, without nominal or par value

Issued

	Number of shares	Amount \$
Balance – December 31, 1998	7,809,013	6,389,778
Private placement (i)	330,500	214,825
Private placement (ii)	220,500	143,325
Balance – December 31, 1999	8,360,013	6,747,928
Private placement (ii)	549,069	345,384
Private placement (iii)	440,050	211,224
Issued on exercise of warrants	5,500	4,125
Balance – December 31, 2000	9,354,632	7,308,661

- (i) During the years ended December 31, 1998 and December 31, 1999, the Company entered into agreements for the private placement of units at a price of \$0.65 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.75 for a period of two years from the date of closing.
- (ii) During the years ended December 31, 1999 and December 31, 2000, the Company entered into agreements for the private placement of units at a price of \$0.65 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.80 for a period of two years from the date of closing. The shares were issued net of issue costs of \$11,511.

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(iii) During the year, the Company entered into agreements for the private placement of units at a price of \$0.48 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.60 for a period of two years from the date of closing.

Stock options outstanding

The Company has a stock option plan for its key officers, directors, employees and consultants. Up to 10% of the issued and outstanding shares may be reserved for issuance under the plan. As at December 31, 2000 there were stock options outstanding to purchase 643,000 common shares at prices ranging from \$0.55 to \$1.20 per share, with expiry dates ranging from January 14, 2001 to July 26, 2005.

The following is a summary of the status of the Company's stock options at December 31, 2000 and changes during the period:

	Options	Weighted average exercise price
Balance, beginning of year	595,500	\$0.81
Granted during the year	107,500	\$0.58
Expired during the year	(60,000)	\$0.60
	643,000	\$0.79
Balance, end of year	643,000	\$0.79
Exercisable at end of year	643,000	\$0.79

The following summarizes information about stock options outstanding at December 31, 2000.

Exercise Price	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable
\$0.95	13,500	0.04	13,500
\$1.20	200,000	0.80	200,000
\$0.75	75,000	1.54	75,000
\$0.55	247,000	3.15	247,000
\$0.55	40,000	3.96	40,000
\$0.60	7,500	4.46	7,500
\$0.60	60,000	4.57	60,000
	643,000		643,000

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Share purchase warrants outstanding

The following is a summary of the status of the Company's share purchase warrants at December 31, 2000 and changes during the period:

	Warrants	Weighted average exercise price
Balance, beginning of year	784,300	\$0.76
Issued during the year	989,119	\$0.57
Exercised during the year	(5,500)	\$0.75
Expired during the year	(227,800)	\$0.75
Balance, end of year	1,540,119	\$0.73
Exercisable at end of year	1,540,119	\$0.73

The following summarizes information about warrants outstanding at December 31, 2000.

Exercise Price	Number outstanding	Weighted average remaining contractual life (years)	Number Exercisable
\$0.75	330,500	0.30	330,500
\$0.80	769,569	1.25	769,569
\$0.60	440,050	1.80	440,050
	1,540,119		1,540,119

7. INCOME TAXES

Effective January 1, 2000, the Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants, for accounting for income taxes using the liability method. The new policy was applied retroactively, but did not result in restatement of December 31, 1999 financial statements. The potential future income tax asset of approximately \$494,000 from the adoption of this policy arises from the following:

	\$
Non-capital loss carry forwards	675,000
Capital assets	(181,000)
	494,000

Stratabound Minerals Corp.

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At December 31, 2000, the Company has approximately \$2,334,000 of unused cumulative Canadian exploration and development expenses, earned depletion and tangibles available to offset future taxable income. The tax benefits pertaining to these expenses are available for carry forward indefinitely.

At December 31, 2000, the Company has non-capital losses of \$1,360,600 available for offset against future taxable income. If these losses are not utilized, they will expire as follows:

Available until	Amount
	\$
2001	127,700
2002	140,000
2003	221,100
2004	188,700
2005	211,700
2006	238,000
2007	233,400
	1,360,600

8. FINANCIAL INSTRUMENTS

The Company's financial instruments recognized on the balance sheet consist of cash and short-term investments, marketable securities, accounts receivable, and accounts payable and accrued liabilities.

Price risk

The Company is exposed to price risk to the extent that metal prices fluctuate in the world markets.

Currency risk

The Company is exposed to foreign exchange risk to the extent that the carrying value of its mineral properties is denominated in U.S. dollars.

Fair values of financial assets and liabilities

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments of the same risk, principal and remaining maturities. Except where disclosed otherwise, there are no significant differences between the carrying values of these amounts and their estimated market values.

9. COMPARATIVE FIGURES

Certain of the 1999 comparative figures have been reclassified to conform to the current year's presentation.

Stratabound Minerals Corp.

GENERAL AND ADMINISTRATIVE EXPENSES

Years ended December 31

	2000	1999
	\$	\$
Salaries and benefits	100,908	97,012
Office and other	60,681	71,809
Professional fees	42,063	40,227
Filing fees and investor communications	18,582	20,217
Rent	13,764	12,240
	235,998	241,505

The above expenses included \$16,112 (1999 – \$21,967) of costs related to the Mexican operations.