

CONSOLIDATED FINANCIAL STATEMENTS

STRATABOUND MINERALS CORP.

December 31, 2002 and 2001



Chartered Accountants
600, 608 7th Street SW
Calgary, Alberta T2P 1Z2
Tel: (403) 269-1851
Fax: (403) 264-3918

AUDITORS' REPORT

To the Shareholders of
Stratabound Minerals Corp.

We have audited the consolidated balance sheets of **Stratabound Minerals Corp.** as at December 31, 2002 and 2001 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, 2002 and 2001 and the results of its operations and the changes in its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Canada
May 5, 2003

[signed Luna Clark Taniguchi]

Chartered Accountants

Stratabound Minerals Corp.

CONSOLIDATED BALANCE SHEETS

As at December 31

	2002	2001
	\$	\$
ASSETS		
Current		
Cash	59,408	5,576
Marketable securities	200	200
Accounts receivable	1,916	10,508
	<u>61,524</u>	<u>16,284</u>
Capital assets [note 3]	2,514	8,518
Mineral properties [note 4]	3,806,876	3,393,177
	<u>3,870,914</u>	<u>3,417,979</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	14,858	45,281
Due to officers [note 5]	31,500	52,821
	<u>46,358</u>	<u>98,102</u>
Mineral property taxes payable [note 4]	336,000	—
Reclamation provision	—	10,800
	<u>382,358</u>	<u>108,902</u>
Shareholders' equity		
Share capital [note 6]	7,661,830	7,406,911
Deficit	(4,173,274)	(4,097,834)
	<u>3,488,556</u>	<u>3,309,077</u>
	<u>3,870,914</u>	<u>3,417,979</u>

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

	2002	2001
	\$	\$
Revenue		
Interest	51	1,626
Petroleum	3,025	1,539
	<u>3,076</u>	<u>3,165</u>
Expenses		
General and administrative [<i>schedule 1</i>]	80,242	183,042
Depletion and amortization	6,004	7,135
Petroleum	3,070	1,459
	<u>89,316</u>	<u>191,636</u>
Loss from operations	86,240	188,471
Site restoration recovery	(10,800)	—
Abandoned properties [<i>note 4</i>]	—	1,283,915
	<u>75,440</u>	<u>1,472,386</u>
Net loss for the year	75,440	1,472,386
Deficit, beginning of year	4,097,834	2,625,448
	<u>4,173,274</u>	<u>4,097,834</u>
Deficit, end of year	4,173,274	4,097,834
Basic loss per share	<u>0.007</u>	<u>0.156</u>
Fully diluted loss per share	<u>0.007</u>	<u>0.156</u>

See accompanying notes

Stratabound Minerals Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	2002 \$	2001 \$
CASH WAS PROVIDED BY (USED FOR):		
Operating activities		
Net loss for the year	(75,440)	(1,472,386)
Items not involving cash		
Depletion and amortization	6,004	7,135
Site restoration recovery	(10,800)	—
Loss on disposal of marketable securities	—	1,625
Abandoned properties	—	1,283,915
Funds from operations	(80,236)	(179,711)
Changes in non-cash working capital balances		
Accounts receivable	8,592	(3,528)
Prepays	—	1,586
Accounts payable and accrued liabilities	(30,423)	23,488
Advances from officers	(21,321)	52,821
	(123,388)	(105,344)
Financing activities		
Issuance of share capital, net of share issue costs	254,919	98,250
Investing activities		
Proceeds on disposal of marketable securities	—	17,375
Proceeds on disposal of capital assets	—	1,925
Expenditures on oil and gas properties	—	(385)
Expenditures on mineral properties	(77,699)	(115,242)
	(77,699)	(96,327)
Increase (decrease) in cash for the year	53,832	(103,421)
Cash, beginning of year	5,576	108,997
Cash, end of year	59,408	5,576

See accompanying notes

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

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 amounts shown as mineral properties costs represent net costs to date, less amounts written off, and do not necessarily represent present or future values. 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.

Marketable securities

Marketable securities are recorded at the lower of cost and quoted market value. At December 31, 2002, the cost of these marketable securities was \$200 (2001 – \$200) and the quoted market value was \$449 (2001 – \$304).

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.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Mineral properties and related deferred expenditures (cont'd)

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.

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.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Effective January 1, 2002, the Company adopted the recommendations of the CICA with respect to the accounting for stock-based compensation and other stock-based payments. The only stock-based compensation or payment granted by the Company is pursuant to its stock option plan. Accounting for the stock option plan has not changed as a result of the new requirement. The Company does not recognize compensation expense when stock options are granted to employees and directors. If the Company had adopted the fair value method of accounting for its stock option plan, the effect on compensation expense would have been immaterial. Any consideration paid by employees on the exercise of options is credited to share capital.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income taxes

The Company follows the future income tax asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the estimated tax recoverable or payable that would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period in which they occur. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

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.

Per share amounts

The Company uses 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.

The weighted average number of shares outstanding during the year was 10,480,786 (2001 – 9,452,882 shares). There was no significant difference between basic and diluted per share amounts.

3. CAPITAL ASSETS

	2002		
	Cost	Accumulated Depletion and Amortization	Net Book Value
	\$	\$	\$
Oil and gas properties	35,469	35,469	—
Office equipment	30,486	27,972	2,514
	65,955	63,441	2,514

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

3. CAPITAL ASSETS (CONT'D)

	2001		
	Cost	Accumulated Depletion and Amortization	Net Book Value
	\$	\$	\$
Oil and gas properties	35,469	30,320	5,149
Office equipment	30,486	27,117	3,369
	65,955	57,437	8,518

4. MINERAL PROPERTIES

	Bathurst, N.B. \$	Otish Mountains, Que. \$	Ramsay Brook, N.B. \$	Canada Total \$	Coahuila, Mexico \$	Total \$
Cost – December 31, 2000	2,944,026	—	—	2,944,026	1,808,566	4,752,592
Acquisition costs	—	—	—	—	43,525	43,525
Deferred exploration	—	—	—	—	71,717	71,717
Abandoned properties	—	—	—	—	(1,283,915)	(1,283,915)
	2,944,026	—	—	2,944,026	639,893	3,583,919
Accumulated depletion	(190,742)	—	—	(190,742)	—	(190,742)
December 31, 2001	2,753,284	—	—	2,753,284	639,893	3,393,177
Cost – December 31, 2001	2,944,026	—	—	2,944,026	639,893	3,583,919
Acquisition costs	—	30,000	13,850	43,850	339,232	383,082
Deferred exploration	—	14,478	2,837	17,315	13,302	30,617
	2,944,026	44,478	16,687	3,005,191	992,427	3,997,618
Accumulated depletion	(190,742)	—	—	(190,742)	—	(190,742)
December 31, 2002	2,753,284	44,478	16,687	2,814,449	992,427	3,806,876

For the years ended December 31, 2002 and 2001, the Company's mineral properties were non-producing and were not subject to depletion.

For the years ended December 31, 2002 and 2001, the Company did not charge any amount to income for future site abandonment and restoration costs.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4. MINERAL PROPERTIES (CONT'D)

Bathurst, New Brunswick

The Company holds a major land position of 6,378 hectares in the Bathurst Mining Camp region in New Brunswick, Canada. Eastmain Resources Inc. can earn a 50% interest in 1,602 hectares of the Bathurst properties by spending \$1,500,000 on exploration by 2005. Eastmain has the option to earn an additional 10% interest in the properties by spending a further \$1,000,000 on exploration.

Otish Mountains, Quebec

During the year the Company acquired a 100% interest in the 3,050-hectare Marusia diamond prospect in the Otish mountain area of Central Quebec. The prospect was acquired from an officer of the Company for \$30,000, which is measured at the exchange price. The vendor retained a 2% royalty from any minerals produced from the property.

Ramsay Brook, New Brunswick

The Company owns 51 claims (826 hectares) and has the option to earn a 100% interest in an additional 10 claims (162 hectares) covering a gold prospect in Restigouche County, New Brunswick. Stratabound can earn a 100% interest in 10 optioned claims, subject to a 2% net smelter return, upon future payments of \$10,000, \$20,000 and \$125,000 on each of the 1st, 2nd and 3rd anniversary dates of the agreement, along with issuing 37,500 shares with each payment.

Coahuila, Mexico

The Company holds a 100% interest in these base metals and silver prospects in the northeastern Mexican state of Coahuila. During the year, the Company's Mexican subsidiary acquired a 100% interest in former option properties in exchange for assuming outstanding property tax liabilities of US\$135,000 and a cash payment of \$200. Subsequent to the acquisition, a further US\$75,000 of property tax was accrued leaving the total tax payable at year-end at US\$210,000 (Cdn\$336,000). Past due and future lease and purchase payments to the former owner totaling US\$700,000 are contingent on the Company obtaining joint venture or equity financing. The Company owns a total area of 41,244 hectares.

5. DUE TO OFFICERS

The amounts due to officers are unsecured, non-interest bearing and without specified terms of repayment.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

6. SHARE CAPITAL

Authorized

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

Issued

	Number of shares	Amount \$
Balance – December 31, 2000	9,354,632	7,308,661
Private placement (i)	196,500	98,250
Balance – December 31, 2001	9,551,132	7,406,911
Private placement (ii)	1,477,447	251,169
Issued for mineral properties (iii)	37,500	3,750
Balance – December 31, 2002	11,066,079	7,661,830

- (i) In 2001, the Company entered into agreements for the private placement of units at a price of \$0.50 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.
- (ii) In 2002, the Company entered into agreements for the private placement of units at a price of \$0.17 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 \$0.22 for a period of two years from the date of closing.
- (iii) In 2002, the Company issued shares as partial consideration for the Ramsay Brook property in New Brunswick. The shares were issued at \$0.10 per common share.

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, 2002 there were stock options outstanding to purchase 1,022,000 common shares at prices ranging from \$0.22 to \$0.60 per share, with expiry dates ranging from February 24, 2004 to August 2, 2007.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

6. SHARE CAPITAL (CONT'D)

The following is a summary of the status of the Company's stock options at December 31, 2002 and changes during the year:

	Options	Weighted average exercise price
Balance, beginning of year	629,500	\$0.56
Granted during the year	500,000	0.22
Cancelled during the year	(32,500)	0.60
Expired during the year	(75,000)	0.75
	1,022,000	0.38
Balance, end of year	1,022,000	0.38
Exercisable at end of year	1,022,000	0.38

The following summarizes information about stock options outstanding at December 31, 2002.

Exercise Price	Number Outstanding	Weighted average remaining contractual life (years)	Number Exercisable
\$0.55	247,000	1.15	247,000
\$0.55	40,000	1.96	40,000
\$0.60	35,000	2.57	35,000
\$0.50	200,000	3.29	200,000
\$0.22	500,000	4.58	500,000
	1,022,000		1,022,000

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. SHARE CAPITAL (CONT'D)

Share purchase warrants outstanding

The following is a summary of the status of the Company's share purchase warrants at December 31, 2002 and changes during the year:

	Warrants	Weighted average exercise price
Balance, beginning of year	1,185,619	\$0.69
Issued during the year	1,477,447	0.22
Expired during the year	(549,069)	0.80
	2,113,997	\$0.26
Balance, end of year	2,113,997	\$0.26
Exercisable at end of year	2,113,997	\$0.26

The following summarizes information about warrants outstanding at December 31, 2002.

Exercise Price	Number Outstanding	Weighted average remaining contractual life (years)	Number Exercisable
\$0.60	196,500	0.50	196,500
\$0.22	1,477,447	1.38	1,477,447
\$0.22	440,050	2.80	440,050
	2,113,997		2,113,997

During the year, the exercise price on 440,050 warrants was changed from \$0.60 per warrant to \$0.22 per warrant and the expiry date was extended from October 24, 2002 to October 24, 2005.

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

7. INCOME TAXES

The significant components of the Company's future income tax assets and liabilities are as follows:

	<u>\$</u>
Non-capital loss carry forwards	473,300
Capital assets and mineral properties	(155,300)
Net future tax assets before valuation allowance	318,000
Future tax asset valuation allowance	(318,000)
	<u>—</u>

Due to the uncertainty surrounding the realization of the future income tax assets in future years, the Company has not recognized any future tax asset in its financial statements.

At December 31, 2002, the Company has approximately \$2,396,000 of unused cumulative Canadian exploration and development expenses, earned depletion and tangibles to offset future taxable income. The tax benefits pertaining to these amounts are available for carry forward indefinitely.

At December 31, 2002, the Company has incurred approximately \$2,276,000 of cumulative mineral property costs and \$82,000 of cumulative operating losses related to its Mexican operations. No tax benefit related to these costs has been recognized in the financial statements.

At December 31, 2002, the Company has non-capital losses of \$1,275,100 available for offset against future taxable income. If these losses are not utilized, they will expire as follows:

Available until	Amount
	<u>\$</u>
2003	221,100
2004	188,700
2005	199,500
2006	215,300
2007	218,500
2008	162,800
2009	69,200
	<u>1,275,100</u>

Stratabound Minerals Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

8. FINANCIAL INSTRUMENTS

The Company's financial instruments recognized on the balance sheet consist of cash, marketable securities, accounts receivable, accounts payable and accrued liabilities and amounts due to officers.

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 Mexican cash and accounts receivable balances are denominated in U.S. dollars and Mexican pesos.

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.

Stratabound Minerals Corp.**GENERAL AND ADMINISTRATIVE EXPENSES**

Years ended December 31

	2002	2001
	\$	\$
Professional fees	31,694	33,186
Filing fees and investor communications	22,871	13,457
Office and other	17,043	50,028
Salaries and benefits	5,634	76,172
Rent	3,000	10,199
	80,242	183,042

The above expenses include \$12,757 (2001 – \$19,254) of costs related to the Mexican operations.