

**CONSOLIDATED FINANCIAL STATEMENTS**

**STRATABOUND MINERALS CORP.**

**December 31, 2003 and 2002**



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, 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 Stratabound Minerals Corp. as at December 31, 2003 and 2002 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 7, 2004

*[signed Luna Clark Taniguchi]*

Chartered Accountants

# Stratabound Minerals Corp.

## CONSOLIDATED BALANCE SHEETS

As at December 31

	<b>2003</b>	<b>2002</b>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	266,065	59,408
Marketable securities <i>[note 2]</i>	200	200
Accounts receivable	11,995	1,916
	<u>278,260</u>	<u>61,524</u>
<b>Property and equipment <i>[note 3]</i></b>	<b>5,756</b>	<b>2,514</b>
<b>Mineral properties <i>[note 4]</i></b>	<b>2,758,368</b>	<b>3,806,876</b>
	<u><b>3,042,384</b></u>	<u><b>3,870,914</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	35,902	14,858
Due to officers <i>[note 5]</i>	—	31,500
	<u>35,902</u>	<u>46,358</u>
<b>Mineral property taxes payable <i>[note 4]</i></b>	<b>—</b>	<b>336,000</b>
	<u><b>35,902</b></u>	<u><b>382,358</b></u>
<b>Shareholders' equity</b>		
Share capital <i>[note 6]</i>	8,070,430	7,661,830
Deficit	(5,063,948)	(4,173,274)
	<u><b>3,006,482</b></u>	<u><b>3,488,556</b></u>
	<u><b>3,042,384</b></u>	<u><b>3,870,914</b></u>

*See accompanying notes*

Approved on behalf of the Board of Directors:

\_\_\_\_\_  
"Stan Stricker" Director

\_\_\_\_\_  
"Michael Mann" Director

## Stratabound Minerals Corp.

### CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Years ended December 31

	<b>2003</b>	<b>2002</b>
	\$	\$
<b>Revenue</b>		
Petroleum	4,273	3,025
Interest and other	277	51
	<b>4,550</b>	<b>3,076</b>
<b>Expenses</b>		
General and administrative <i>[schedule 1]</i>	107,037	80,242
Depletion and amortization	1,313	6,004
Petroleum	520	3,070
	<b>108,870</b>	<b>89,316</b>
<b>Loss from operations</b>	<b>104,320</b>	86,240
Write down of mineral properties <i>[note 4]</i>	<b>865,054</b>	—
Site restoration recovery	—	(10,800)
	<b>969,374</b>	75,440
<b>Net loss before income taxes</b>	<b>969,374</b>	75,440
<b>Income taxes</b> <i>[note 7]</i>		
Future recovery	(78,700)	—
	<b>890,674</b>	75,440
<b>Net loss for the year</b>	<b>890,674</b>	75,440
Deficit, beginning of year	4,173,274	4,097,834
	<b>5,063,948</b>	4,173,274
<b>Deficit, end of year</b>	<b>5,063,948</b>	4,173,274
<b>Basic loss per share</b>	<b>0.076</b>	0.007
<b>Diluted loss per share</b>	<b>0.076</b>	0.007

*See accompanying notes*

## Stratabound Minerals Corp.

### CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	<b>2003</b>	<b>2002</b>
	\$	\$
<b>CASH WAS PROVIDED BY (USED FOR):</b>		
<b>Operating activities</b>		
Net loss for the year	(890,674)	(75,440)
Items not involving cash		
Depletion and amortization	1,313	6,004
Site restoration recovery	—	(10,800)
Write down of mineral properties	865,054	—
Future income taxes	(78,700)	—
<b>Funds from operations</b>	<b>(103,007)</b>	<b>(80,236)</b>
Changes in non-cash working capital balances		
Accounts receivable	(10,079)	8,592
Accounts payable and accrued liabilities	21,044	(30,423)
Advances to officers	(31,500)	(21,321)
	<b>(123,542)</b>	<b>(123,388)</b>
<b>Financing activities</b>		
Issuance of share capital, net of share issue costs	<b>462,175</b>	<b>254,919</b>
<b>Investing activities</b>		
Purchase of property and equipment	(4,555)	—
Expenditures on mineral properties	(162,871)	(77,699)
Government grants	35,450	—
	<b>(131,976)</b>	<b>(77,699)</b>
<b>Increase in cash for the year</b>	<b>206,657</b>	<b>53,832</b>
Cash, beginning of year	<b>59,408</b>	<b>5,576</b>
<b>Cash, end of year</b>	<b>266,065</b>	<b>59,408</b>

*See accompanying notes*

# **Stratabound Minerals Corp.**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2003 and 2002

### **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. Effective December 22, 2003, the subsidiary was dissolved.

#### **Marketable securities**

Marketable securities are recorded at the lower of cost and quoted market value. At December 31, 2003, the cost of these marketable securities was \$200 (2002 – \$200) and the quoted market value was \$720 (2002 – \$449).

#### **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, 2003 and 2002

### **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 historic estimates of proven, probable and possible resources, 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 resources, 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.

#### **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 are amortized over the life of the properties on a unit-of-production basis. The provision is recorded on the consolidated statement of operations 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.

# Stratabound Minerals Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **Amortization**

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

#### **Flow-through financing**

The Company finances a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Shareholders' equity is reduced and future income taxes are increased by an estimate of the future tax cost of the transferred expenditures.

#### **Stock-based compensation**

Effective January 1, 2003, 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. Compensation expense is recorded in the consolidated financial statements for stock options granted to employees and directors using the fair value method. Fair values are determined using the Black-Scholes option-pricing model. As allowed by the CICA recommendations, this accounting policy change has been applied prospectively. The adoption of this recommendation for stock-based compensation resulted in \$Nil compensation expense being recorded in 2003 as no options were issued. If the Company had adopted the fair value method of accounting for its stock option plan for 2002, the effect on compensation expense would have been immaterial. Any consideration paid by employees on the exercise of options is credited to share capital.

#### **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.

# Stratabound Minerals Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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 11,764,579 (2002 – 10,480,786 shares). There was no significant difference between basic and diluted per share amounts.

### 3. PROPERTY AND EQUIPMENT

	2003		
	Cost	Accumulated Depletion and Amortization	Net Book Value
	\$	\$	\$
Oil and gas properties	11,444	11,444	—
Office equipment	35,041	29,285	5,756
	46,485	40,729	5,756
	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, 2003 and 2002

#### 4. MINERAL PROPERTIES

	<b>Bathurst, N.B.</b>	<b>Otish Mountains, Que.</b>	<b>Ramsay Brook, N.B.</b>	<b>Elmtree, N.B.</b>	<b>Canada Total</b>	<b>Coahuila, Mexico</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>Cost – December 31, 2001</b>	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)
<b>December 31, 2002</b>	2,753,284	44,478	16,687	—	2,814,449	992,427	3,806,876
<b>Cost – December 31, 2002</b>	<b>2,944,026</b>	<b>44,478</b>	<b>16,687</b>	<b>—</b>	<b>3,005,191</b>	<b>992,427</b>	<b>3,997,618</b>
Acquisition costs	1,150	—	19,215	23,000	43,365	—	43,365
Deferred exploration	550	56,346	72,214	5,056	134,166	10,465	144,631
Government grants	—	—	(35,450)	—	(35,450)	—	(35,450)
Write down of mineral properties	(198,162)	—	—	—	(198,162)	(1,002,892)	(1,201,054)
	2,747,564	100,824	72,666	28,056	2,949,110	—	2,949,110
Accumulated depletion	(190,742)	—	—	—	(190,742)	—	(190,742)
<b>December 31, 2003</b>	<b>2,556,822</b>	<b>100,824</b>	<b>72,666</b>	<b>28,056</b>	<b>2,758,368</b>	<b>—</b>	<b>2,758,368</b>

For the years ended December 31, 2003 and 2002, the Company's mineral properties were non-producing and were not subject to depletion.

For the years ended December 31, 2003 and 2002, the Company did not charge any amount to income for future site abandonment and restoration costs.

# Stratabound Minerals Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

### 4. MINERAL PROPERTIES (CONT'D)

#### **Bathurst, New Brunswick**

The Company holds a major land position of 3,804 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. During the year, the Company relinquished its claim on certain of the Bathurst properties and has charged \$198,162 to operations as a write down of these properties.

#### **Otish Mountains, Quebec**

The Company owns a 100% interest in the 3,050-hectare Marusia diamond prospect in the Otish mountain area of Central Quebec. The former owner retained a 2% royalty from any minerals produced from the property.

#### **Ramsay Brook, New Brunswick**

The Company owns 68 claims (1,100 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 the 10 optioned claims, subject to a 2% net smelter return, upon future payments of \$20,000 and \$125,000 on each of the 2<sup>nd</sup> and 3<sup>rd</sup> anniversary dates of the agreement, along with issuing 37,500 shares with each payment.

#### **Elmtree, New Brunswick**

The Company has the option to earn a 100% interest in 10 claims (162 hectares) covering a gold prospect in Gloucester County, New Brunswick. Stratabound can earn a 100% interest in the 10 claims, subject to a 2% net smelter return, upon future payments of \$10,000, \$20,000 and \$125,000 on each of the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> anniversary dates of the agreement, along with issuing 50,000 shares with each payment.

#### **Coahuila, Mexico**

During the year, the Company phased out exploration and relinquished its claims on these base metals and silver prospects in the northeastern Mexican state of Coahuila. The Company was unable to obtain financing to meet scheduled purchase and property tax payments. All costs previously capitalized with respect to these properties have been written off. Costs associated with these properties amounted to \$1,002,892 and mineral property taxes payable on the properties amounted to \$336,000. The write off of both the properties and related mineral property taxes payable resulted in a charge to operations of \$666,892.

### 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, 2003 and 2002

### 6. SHARE CAPITAL

#### Authorized

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

#### Issued

	Number of shares	Amount \$
<b>Balance – December 31, 2001</b>	9,551,132	7,406,911
Private placement (i)	1,477,447	251,169
Issued for mineral properties (ii)	37,500	3,750
<b>Balance – December 31, 2002</b>	<b>11,066,079</b>	<b>7,661,830</b>
Issued for mineral properties (ii)	37,500	7,125
Issued for mineral properties (iii)	100,000	18,000
Issued for cash, net of future income taxes on flow through shares (iv)	2,886,000	385,000
Issued on exercise of warrants	19,000	2,850
Share issue costs	—	(4,375)
<b>Balance – December 31, 2003</b>	<b>14,108,579</b>	<b>8,070,430</b>

- (i) 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, which was May 17, 2002.
- (ii) In 2002 and 2003, the Company issued shares as partial consideration for its claim in the Ramsay Brook property in New Brunswick. In 2003, 37,500 (2002 – 37,500) shares were issued at \$0.19 (2002 – \$0.10) per common share.
- (iii) During the year, the Company issued shares as partial consideration for its claim in the Elmtree property in New Brunswick. The shares were issued at a deemed price of \$0.18 per share.
- (iv) During the year, the Company entered into agreements for the private placement of 72 flow-through units at a price of \$1,200 per unit and 88.6 non flow-through units at a price of \$1,000 per unit. Each flow-through unit consists of 7,500 flow-through common shares, 2,500 non flow-through common shares and 10,000 common share purchase warrants. Each non flow-through unit consists of 10,000 non flow-through common shares and 10,000 common share purchase warrants. Each warrant entitles the holder to purchase one common share for \$0.15 for a period of three years from the date of closing, which was July 25, 2003.

# Stratabound Minerals Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

### 6. SHARE CAPITAL (CONT'D)

During the year, the Company issued 210,000 units at a price of \$0.12 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 \$0.20 for a period of three years from the date of closing, which was November 11, 2003.

During the year, the Company entered into an agreement to issue 50,000 shares at \$0.17 per common share.

During the year, the Company issued 650,000 flow-through shares at \$0.25 per share and 370,000 units at a price of \$0.25 per unit. Each unit consists of one common share and one-half of a common share purchase warrant. One full warrant entitles the holder to purchase one common share for \$0.30 for a period of three years from the date of closing, which was December 10, 2003.

### 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, 2003 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.

The following is a summary of the status of the Company's stock options at December 31, 2003 and changes during the year:

	<b>Options</b>	<b>Weighted average exercise price</b>
<b>Balance, December 31, 2002 and 2003</b>	<b>1,022,000</b>	<b>\$0.38</b>
<b>Exercisable at end of year</b>	<b>1,022,000</b>	<b>\$0.38</b>

# Stratabound Minerals Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

### 6. SHARE CAPITAL (CONT'D)

#### Stock options outstanding (cont'd)

The following summarizes information about stock options outstanding at December 31, 2003.

Exercise Price	Number Outstanding	Weighted average remaining contractual life (years)	Number Exercisable
\$0.55	247,000	0.15	247,000
\$0.55	40,000	0.96	40,000
\$0.60	35,000	1.57	35,000
\$0.50	200,000	2.29	200,000
\$0.22	500,000	3.58	500,000
	<b>1,022,000</b>		<b>1,022,000</b>

#### Share purchase warrants outstanding

The following is a summary of the status of the Company's share purchase warrants at December 31, 2003 and changes during the year:

	Warrants	Weighted average exercise price
<b>Balance, beginning of year</b>	2,113,997	\$0.26
Issued during the year	<b>2,001,000</b>	<b>0.17</b>
Exercised during the year	<b>(19,000)</b>	<b>0.15</b>
<b>Balance, end of year</b>	<b>4,095,997</b>	<b>\$0.19</b>
<b>Exercisable at end of year</b>	<b>4,095,997</b>	<b>\$0.19</b>

## Stratabound Minerals Corp.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

#### 6. SHARE CAPITAL (CONT'D)

##### Share purchase warrants outstanding (cont'd)

The following summarizes information about warrants outstanding at December 31, 2003.

Exercise Price	Number Outstanding	Weighted average remaining contractual life (years)	Number Exercisable
\$0.22	1,477,447	0.38	1,477,447
\$0.22	440,050	1.80	440,050
\$0.15	177,500	2.50	177,500
\$0.15	1,606,000	2.58	1,606,000
\$0.20	210,000	2.88	210,000
\$0.30	185,000	2.96	185,000
	<b>4,095,997</b>		<b>4,095,997</b>

During the year, the exercise price on 196,500 warrants was changed from \$0.60 per warrant to \$0.15 per warrant and the expiry date was extended from June 28, 2003 to June 28, 2006.

#### 7. INCOME TAXES

The provision for income taxes differs from the amount that would be obtained by applying the combined Canadian federal and provincial income tax rate to income before income taxes. This difference results from the following items:

	2003 \$	2002 \$
Statutory income tax rate	<b>34.62%</b>	37.12%
Computed expected tax recovery	<b>(335,600)</b>	(28,000)
Income tax provision (recovery) resulting from:		
Non-deductible expenses	<b>235,000</b>	5,000
Future tax assets not previously recognized	<b>(78,700)</b>	—
Future tax asset valuation allowance	<b>100,600</b>	23,000
Provision for future income tax recovery	<b>(78,700)</b>	—

# Stratabound Minerals Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

### 7. INCOME TAXES (CONT'D)

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

	<u>\$</u>
Non-capital loss carry forwards	<b>398,600</b>
Property and equipment and mineral properties	<b>(157,200)</b>
Share issue costs	<b>2,000</b>
Net future tax assets before valuation allowance	<b>243,400</b>
Future tax asset valuation allowance	<b>(243,400)</b>
	<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, 2003, the Company has approximately \$2,316,000 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, 2003, the Company has non-capital losses of \$1,151,200 available for offset against future taxable income. If these losses are not utilized, they will expire as follows:

<b>Available until</b>	<b>Amount</b>
	<u>\$</u>
2004	<b>188,700</b>
2005	<b>199,500</b>
2006	<b>215,300</b>
2007	<b>218,500</b>
2008	<b>162,800</b>
2009	<b>69,200</b>
2010	<b>97,200</b>
	<u><b>1,151,200</b></u>

# Stratabound Minerals Corp.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

### **8. FINANCIAL INSTRUMENTS**

The Company's financial instruments recognized on the balance sheet consist of cash, 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 values of its 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

	<b>2003</b>	<b>2002</b>
	\$	\$
Salaries and benefits	<b>31,270</b>	5,634
Professional fees	<b>29,812</b>	31,694
Filing fees and investor communications	<b>25,191</b>	22,871
Office and other	<b>17,764</b>	17,043
Rent	<b>3,000</b>	3,000
	<b>107,037</b>	80,242

The above expenses include \$10,906 (2002 – \$12,757) of costs related to the Mexican operations.