ERIN VENTURES INC.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1997 and 1996

AUDITORS' REPORT

To the Shareholders,
Erin Ventures Inc.

We have audited the consolidated balance sheets of Erin Ventures Inc. as at June 30, 1997 and 1996 and the consolidated statements of loss and deficit and changes in financial position 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 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 June 30, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Vancouver, Canada
December 18, 1997

"AMISANO HANSON"
Chartered Accountants

ERIN VENTURES INC.
CONSOLIDATED BALANCE SHEETS
June 30, 1997 and 1996

ASSETS	1997	1996
Current		
Cash and treasury bills	$ 548,773	$ 926,650
Accounts receivable - Note 8	26,015	2,365
Share subscriptions receivable - Note 9	80,000	-
Prepaid expenses	5,834	500
Advances receivable - Note 3	-	60,569
	660,622	990,084
Capital assets - Note 4	40,007	-
Resource properties - Notes 5, 8 and 9	1,590,505	-
	$ 2,291,134	$ 990,084
LIABILITIES		
Current		
Accounts payable	$ 76,485	$ 128,598
Long-term debt - Note 6	-	750,000
	76,485	878,598
SHAREHOLDERS' EQUITY		
Share Capital - Notes 6, 7 and 9	2,761,550	279,500
Deficit	(546,901)	(168,014)
	2,214,649	111,486
	$ 2,291,134	$ 990,084

Nature of Continuance of Operations - Note 1
Commitments - Notes 5, 6, 7 and 9
Subsequent Events - Note 9

APPROVED BY THE DIRECTORS:

"Tim Daniels", Director "William Thompson", Director

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
for the years ended June 30, 1997 and 1996

	1997	1996
Interest Income	$ 23,018	$ 12,389
Administrative expenses		
Accounting and audit fees	19,102	3,000
Amortization	7,412	-
Filing fees	3,650	7,285
Interest on long-term debt - Note 6	30,853	10,397
Investor relations	26,300	-
Legal fees	12,222	18,896
Management fees - Note 8	70,000	-
Office and miscellaneous - Note 8	23,140	749
Printing	16,830	-
Telephone	17,745	-
Transfer agent fees	4,955	3,565
Travel and promotion	88,787	-
Web site	4,170	-
	325,166	43,892
Loss before other items:	302,148	31,503
Other items:		
Finders fees - Note 6	-	95,000
Mineral property investigation costs - Note 8	-	20,000
Write-down of resource property - Note 5	76,739	-
Net loss for the year	378,887	146,503
Deficit, beginning of the year	168,014	21,511
Deficit, end of the year	$ 546,901	$ 168,014
Loss per share	$ 0.05	$ 0.03

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
for the years ended June 30, 1997 and 1996

	1997	1996
Operating Activities		
Operations		
Net loss for the year	$ (378,887)	$ (146,503)
Charges to income not affecting cash:		
Amortization	7,412	-
Write-down of resource property	76,739	-
	(294,736)	(146,503)
Changes in non-cash working capital accounts related to operations		
Accounts receivable	(22,121)	(2,247)
Share subscriptions receivable	(80,000)	-
Prepaid expenses	(1,173)	35
Advances receivable	60,569	(60,569)
Accounts payable	(74,907)	125,418
	(412,368)	(83,866)
Financing Activities		
Issuance of common stock	2,482,050	24,500
Increase (decrease) in long-term debt	(750,000)	750,000
	1,732,050	774,500
Investing Activities		
Purchase of capital assets	(44,995)	-
Increase in resource properties	(1,591,441)	-
Acquisition of subsidiary company	(61,123)	-
	(1,697,559)	-
Increase (decrease) in cash during the year	(377,877)	690,634
Cash and treasury bills, beginning of the year	926,650	236,016
Cash and treasury bills, end of the year	$ 548,773	$ 926,650

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1997 and 1996

Note 1 Nature and Continuance of Operations

The company is in the development stage and is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration and development costs are dependent upon the discovery of economically recoverable reserves and confirmation of the company's interest in the underlying resource property claims, the company's ability to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which assume that the company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from carrying values as shown in these financial statements should the company be unable to continue as a going concern. The company's ability to meet its obligations and maintain operations is contingent upon the completion of additional financing arrangements.

Note 2 Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement.

The 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:

(a) Principles of Consolidation

The financial statements include the accounts of the company and 497281 B.C. Ltd, the company's 100% owned subsidiary. All inter-company transactions and balances have been eliminated.

(b) Capital Assets

Capital assets are recorded at cost. Amortization is provided for using the following rates and methods of accounting:

Office equipment	20% Declining balance
Computer equipment	30% Declining balance
Vehicles	30% Declining balance

Additions during the year are amortized at one half rates.

Note 2 Summary of Significant Accounting Policies - (cont'd)

(c) Resource Properties

The acquisition of resource properties will be initially recorded at cost. Producing resource properties are depleted over their estimated useful lives based upon a method relating recoverable resource reserves to production. Non-producing resource properties that the company abandons interest in are written-off in the year of abandonment.

(d) Deferred Exploration and Development Expenditures

The company capitalizes and defers all exploration and development expenses that result in the acquisition and retention of resource properties or an interest therein. The accumulated deferred costs including applicable exploration and development expenses relative to non-productive resource properties that the company abandons interest in are written-off. Otherwise, the deferred exploration and development expenses are depleted over the estimated useful lives of the producing resource properties based on a method relating recoverable reserves to production.

(e) Values

The amounts shown for resource property costs and deferred exploration and development expenditures represent costs to date and do not necessarily reflect present or future values.

(f) Foreign Currency Translation

Monetary assets and liabilities expressed in foreign currencies are translated at rates of exchange in effect at the end of the year. Revenue and expense items are translated at the rates in effect at the dates on which such items are recognized during the year. Exchange gains and losses arising from translation are expensed in the year.

(g) Loss Per Share

Loss per share is calculated using the weighted average number of shares outstanding during the year.

(h) Fair Market Value of Financial Instruments

The carrying value of cash and treasury bills, accounts receivable, share subscriptions receivable and accounts payable approximate fair value because of the short maturity of those instruments.

Note 3 Business Acquisition

Pursuant to an agreement dated December 3, 1996 the company acquired 100% of the issued and outstanding shares of 497281 B.C. Ltd., ("497281") for consideration of $1.

This transaction has been accounted for by the purchase method and the results of the acquired company are included from the date of acquisition. The net identifiable assets acquired from this transaction are as follows:

Identifiable assets	$ 225,324
Identifiable liabilities assumed	225,323
Net identifiable assets acquired	$ 1

497281's principal asset is an option to earn a 60% interest in the Cop 1, Cop 2, Cop 3 and Cop 4 mineral claims located in the Atlin Mining Division of British Columbia. Advances receivable recorded by the company at June 30, 1996 of $60,569 consisted of unsecured, non-interest bearing advances with no specific terms for repayment made to 497281.

Note 4 Capital Assets

		Accumulated	Net Book Value	
	Cost	Amortization	1997	1996
Office equipment	$ 1,294	$ 129	$ 1,165	$ -
Computer equipment	13,724	2,059	11,665	-
Vehicles	32,401	5,224	27,177	-
	$ 47,419	$ 7,412	$ 40,007	$ -

Note 5 Resource Properties - Notes 8 and 9

Resource properties consist of:	1997	1996
Cop mineral claims, British Columbia		
Acquisition costs - cash	$ 40,000	$ -
Deferred exploration and development expenditures		
Equipment	19,904	-
General and administration	2,955	-
Geological consulting	11,638	-
Licenses	2,567	-
Transportation and freight	39,795	-
Travel and accommodation	17,736	-
Wages	67,284	-
	161,879	-
Reclamation bond	11,269	-
	213,148	-
Piskanja deposit, Republic of Serbia		
Acquisition costs - cash	14,000	-
- shares (finder's fee)	920,000	-
	934,000	-
Deferred exploration and development expenditures		
Consulting fees	56,483	-
General and administration	115,847	-
Geological consulting	105,659	-
Legal fees	21,840	-
Travel and accommodation	143,527	-
	443,356	-
	1,377,356	-
Square Lake mineral claims, New Brunswick		
Acquisition costs - cash	76,740	-
Write-down	(76,739)	-
	1	-
	$ 1,590,505	$ -

Note 5 Resource Properties - Notes 8 and 9 - (cont'd)

Cop Mineral Claims

The Cop mineral claims are comprised of 72 mineral claims located in the Atlin Mining District of British Columbia. Pursuant to an option agreement dated February 14, 1996 the company's 100% owned subsidiary 497281 B.C. Ltd. has the option to earn a 60% interest in the claims by the payment of $20,000 cash (paid); payment of a finders fee of $20,000 cash (paid) and incurring exploration expenditures of not less than $1,000,000 as follows:

i) $50,000 prior to December 24, 1996 (incurred)
ii) a further $250,000 prior to December 24, 1997
iii) a further $700,000 prior to December 31, 1998

Management of the company is currently negotiating with the optionor for an extension to the date of the required exploration expenditures.

Piskanja Deposit

The Piskanja deposit is located in the Ibar region of the Republic of Serbia. The company has entered into a joint venture agreement dated October 4, 1996 whereby the company can earn a 50% interest in the deposit through the expenditure of $2,670,000 to conduct a research and reserves study leading to the preparation of a feasibility study. Upon determination that the feasibility study will be undertaken, the company and its joint venture partner will each own 50% of the joint venture and each contribute 50% to all further expenditures.

Square Lake Mineral Claims

The Square Lake mineral claims consist of 2 groups of mineral claims totalling 82 claims located in New Brunswick. The company purchased a 50% interest in these claims for $76,740 cash pursuant to an option agreement dated September 10, 1996. During the year ended June 30, 1997 management has abandoned these claims, consequently the claims have been written-down by $76,739 to $1.

Note 6 Long-Term Debt - Note 7

Long-term debt of $750,000 at June 30, 1996 consisted of a convertible debenture due May 16, 2001. During the year ended June 30, 1997 the convertible debenture was converted to 5,000,000 common shares of the company at $0.15 per share and accrued interest of $41,250 was paid in cash.

Note 6 Long-Term Debt - Note 7 - (cont'd)

The convertible debenture had a share purchase warrant attached which entitles the debenture holder to purchase up to 5,000,000 common shares of the company at $0.16 per common share, up to a maximum holding of 10% of the outstanding common shares of the company after the exercise of the warrant. The share purchase warrant expires May 16, 1998.

During the year ended June 30, 1996, the company incurred a $75,000 finder's fee in connection with the convertible debenture.

Note 7 Share Capital - Notes 6 and 9

i) Authorized:

Unlimited voting common shares without nominal or par value
Unlimited preferred shares without nominal or par value

ii) Issued common shares:

		#	$
Balance, June 30, 1995		4,583,333	255,000
For cash			
Pursuant to the exercise of share purchase options			
	- at $0.10	245,000	24,500
Balance, June 30, 1996		4,828,333	279,500
For cash			
- Pursuant to private placements	- at $0.75	800,000	600,000
(less cash commission paid)			(60,000)
	- at $2.04	70,000	142,800
	- at $2.75	15,000	41,250
- Pursuant to the exercise of share purchase options			
	- at $0.16	50,000	8,000
- Pursuant to the exercise of share purchase warrants			
	- at $0.16	500,000	80,000
For conversion of long-term debt	- at $0.15	5,000,000	750,000
For resource property finder's fee	- at $2.30	400,000	920,000
Balance, June 30, 1997		11,663,333	2,761,550

iii) Escrow:

At June 30, 1997, 2,583,333 common shares are held in escrow by the company's transfer agent. The release of these shares from escrow is subject to the consent of the Executive Director of The Alberta Securities Commission.

Note 7 Share Capital - Notes 6 and 9 - (cont'd)

iv) Commitments:

Options

At June 30, 1997 the following directors' and employee's common share purchase options were outstanding:

Number of shares	Exercise price	Expiry date
422,000	$0.16	March 21, 2001
50,000	$3.70	January 31, 1998
50,000	$2.75	October 1, 1998

Warrants

At June 30, 1997 the following common share purchase warrants were outstanding to purchase one common share for each warrant held:

Number of Shares	Exercise Price	Expiry Date
4,500,000	$0.16	May 16, 1998
800,000	$0.75	September 3, 1998
70,000	$2.40	October 3, 1997
	or at $2.75	October 3, 1998
15,000	$2.75	October 24, 1997
	or at $3.50	October 24, 1998

Note 8 Related Party Transactions

During the year the company incurred the following fees and expenses charged by directors, former directors and companies controlled by directors of the company:

	1997	1996
Deferred exploration and development expenditures		
- wages	$ 23,842	$ -
- geological consulting	25,000	-
Management fees	70,000	-
Mineral property investigation costs	-	20,000
Office and miscellaneous	4,000	-
	$ 122,842	$ 20,000

Accounts receivable as at June 30, 1997 includes $8,459 (June 30, 1996 - $Nil) receivable from a director of the company.

Note 9 Subsequent Events

Subsequent to June 30, 1997:

i) The company received $80,000 cash in payment of the share subscriptions receivable outstanding at June 30, 1997.

ii) The company received $303,000 cash for the exercise of common share purchase warrants. The shares have not yet been issued.

iii) The company granted 100,000 employee common share purchase options, exercisable at $1.05 per share until March 31, 1998.

iv) The company granted 300,000 consultant common share purchase options, exercisable at $1.02 per share until November 30, 1999. These options are subject to regulatory approval.

v) The company entered into two agreements with drilling companies to conduct drilling programs on the Piskanja deposit, Serbia at a total estimated cost of approximately $2,060,000 and advanced to these companies $653,000.

Note 10 Corporation Income Tax Losses

At June 30, 1997, the company has accumulated non-capital losses totalling $534,806 which are available to reduce taxable income in future taxation years. These losses expire as follows:

2001	$ 5,153
2002	15,203
2003	146,503
2004	367,947
	$ 534,806

The company also has accumulated exploration and development expenditures totalling approximately $1,500,000. These expenses can be used to offset taxable income of future years at various rates per year and are available indefinitely.

The potential benefit of these losses and expenditures, if any, has not been recorded in the financial statements.