



**British Columbia
Securities Commission**

**QUARTERLY AND YEAR END REPORT
BC FORM 51-901F (previously Form 61)**

Freedom of Information and Protection of Privacy Act: The personal information requested on this form is collected under the authority of and used for the purpose of administering the *Securities Act*. Questions about the collection or use of this information can be directed to the Supervisor, Financial Reporting (604-899-6731), P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2. Toll Free in British Columbia 1-800-373-6393.

INCORPORATED AS PART OF:

Schedule A

Schedule B
(place X in appropriate category)

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
ERIN VENTURES INC.	June 30, 2002	02/11/20

ISSUER'S ADDRESS **10080 Jasper Avenue, Suite 907**

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Edmonton	AB	T5J 1V9	(780) 426-3512	(780) 429-4961

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Tim Daniels	President	(780) 429-4961

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
info@erinventures.com	erinventures.com

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

"Tim Daniels"	TIM DANIELS	02/11/20
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

"William Thompson"	WILLIAM THOMPSON	02/11/20
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

ERIN VENTURES INC.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002 and 2001

AUDITORS' REPORT

To the Shareholders,
Erin Ventures Inc.

We have audited the consolidated balance sheets of Erin Ventures Inc. as at June 30, 2002 and 2001 and the consolidated statements of loss, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principals have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada
November 4, 2002

“AMISANO HANSON”
Chartered Accountants

ERIN VENTURES INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2002 and 2001

	<u>ASSETS</u>	<u>2002</u>	<u>2001</u>
Current			
Cash		\$ 6,660	\$ 82,258
Receivables – mining tax credit		19,671	29,164
– other		1,863	7,045
Current assets of discontinued operations – Note 13		-	674
		<hr/>	<hr/>
		28,194	119,141
Capital assets – Note 3		3,758	5,048
Investment – Note 4		1	-
Resource properties – Notes 5 and 9		236,154	181,661
		<hr/>	<hr/>
		\$ 268,107	\$ 305,850
		<hr/> <hr/>	<hr/> <hr/>
	<u>LIABILITIES</u>		
Current			
Accounts payable – Notes 9 and 11		\$ 1,480,082	\$ 1,364,806
Advance payable – Note 6		67,500	-
Notes payable – Note 7		638,994	660,765
Current liabilities of discontinued operations – Note 13		-	81,741
		<hr/>	<hr/>
		2,186,576	2,107,312
		<hr/>	<hr/>
	<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital – Notes 8 and 11		5,760,488	5,354,740
Shares subscribed – Notes 8 and 11		50,000	100,000
Deficit		(7,728,957)	(7,256,202)
		<hr/>	<hr/>
		(1,918,469)	(1,801,462)
		<hr/>	<hr/>
		\$ 268,107	\$ 305,850
		<hr/> <hr/>	<hr/> <hr/>

Nature and Continuance of Operations – Note 1
Commitments – Notes 5, 7, 8 and 11
Subsequent Events – Notes 8 and 11

APPROVED BY THE DIRECTORS:

“Tim Daniels” _____, Director *“William Thompson”* _____, Director

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
CONSOLIDATED STATEMENTS OF LOSS
for the years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Administrative expenses		
Accounting and audit fees	\$ 24,603	\$ 33,493
Amortization	1,290	1,762
Filing fees	7,937	7,810
Interest	155,672	68,680
Investor relations	84,402	67,500
Legal fees	18,378	16,414
Management fees – Note 9	60,000	60,000
Office and miscellaneous	28,007	8,100
Rent – Note 9	9,000	9,000
Telephone	18,277	14,636
Transfer agent fees	7,847	6,626
Travel and promotion – Note 9	27,637	22,745
Web site	1,688	2,385
	<hr/>	<hr/>
	444,738	319,151
	<hr/>	<hr/>
Loss before other items:	(444,738)	(319,151)
Other items:		
Interest Income	135	285
Foreign exchange gain (loss)	(1,886)	11,019
Write-down of resource property – Note 5	(40,000)	(4,996,668)
	<hr/>	<hr/>
Loss from continuing operations	(486,489)	(5,304,515)
Income (loss) from discontinued operations – Note 13	13,734	(25,086)
	<hr/>	<hr/>
Net loss for the year	\$ (472,755)	\$ (5,329,601)
	<hr/>	<hr/>
Basic and diluted loss per share	\$ (0.03)	\$ (0.23)
	<hr/>	<hr/>

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
CONSOLIDATED STATEMENTS OF DEFICIT
for the years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Deficit, beginning of the year	\$ (7,256,202)	\$ (1,926,601)
Net loss for the year	(472,755)	(5,329,601)
Deficit, end of the year	<u>\$ (7,728,957)</u>	<u>\$ (7,256,202)</u>

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Operating Activities		
Net loss from continuing operations	\$ (486,489)	\$ (5,304,515)
Charges to income not affecting cash:		
Amortization	1,290	1,762
Write-down of resource property	40,000	4,996,668
	<u>(445,199)</u>	<u>(306,085)</u>
Changes in non-cash working capital items related to operations:		
Receivables – mining tax credit	(2,000)	(29,164)
– other	5,357	(1,151)
Prepaid expenses	-	8,300
Accounts payable	47,149	(8,067)
Notes payable	(21,771)	136,225
	<u>(416,464)</u>	<u>(199,942)</u>
Financing Activities		
Issuance of common stock	295,748	321,994
Shares subscribed	50,000	2,500
Advance payable	67,500	-
	<u>413,248</u>	<u>324,494</u>
Investing Activity		
Increase in resource properties	(73,000)	(201,072)
Decrease in cash from continuing operations	(76,216)	(76,520)
Decrease in cash from discontinued operations – Note 13	-	(368)
Cash, beginning of the year	82,876	159,146
Cash, end of the year	<u>\$ 6,660</u>	<u>\$ 82,258</u>
Supplemental Cash Flow Information:		
Cash paid for:		
Interest	\$ 43,064	\$ 19,732
Income taxes	\$ -	\$ -
Non-cash Transaction – Note 12		

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002 and 2001

Note 1 Nature and Continuance of Operations – Note 11

The Company is a development stage public company whose shares trade on the TSX Venture Exchange. The Company 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 expenditures 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 on a going concern basis. The Company has a working capital deficiency of \$2,158,382 as at June 30, 2002 and has accumulated losses of \$7,728,957 since inception. The Company's ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

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. Actual results may differ from these estimates.

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 766072 Alberta Inc., the Company's 100% owned subsidiary. All inter-company transactions and balances have been eliminated. During the year ended June 30, 2002, the Company's investment in Genoray Advanced Technologies Ltd. (formerly Soundcache.com Inc.) was reduced from 65% ownership to 12% ownership. The Company no longer has control of Genoray and accordingly, during the year ended June 30, 2002 has accounted for its investment using the cost method effective from the date of disposal.

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

(b) Capital Assets

Capital assets are recorded at cost. Amortization is provided for using the declining balance method at the following annual rates:

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

Additions during the year are amortized at one half annual rates.

(c) Resource Properties

The acquisition of resource properties are 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 are periodically evaluated to determine net recoverable amounts and are written-down in the year of impairment or 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 are periodically evaluated to determine net recoverable amounts and are written-down in the year of impairment or abandonment. 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) Mining Tax Credit

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures.

(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. Non-monetary items are translated at historical exchange rates. 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 included in income during the year.

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

(g) Loss Per Share

Loss per share amounts have been calculated and presented in accordance with the new recommendations of the Canadian Institute of Chartered Accountants. The new standard has been applied on a retroactive basis and had no impact on the amounts previously reported.

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

(h) Financial Instruments

The Company's financial instruments consist of cash, receivables, due from related parties, accounts payable, advance payable and notes payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments, with the possible exception of certain accounts payable balances. The Company may have an exposure to foreign currency fluctuations with regard to accounts payable balances denominated in foreign currencies. Such foreign currency fluctuations could affect the Company's liability balances and income. The fair value of the financial instruments is considered to be equal to the carrying value due to the short-term maturities. Carrying value is adjusted to reflect the foreign currency exchange rate at the balance sheet date.

(i) Stock-based Compensation

The Company has a share purchase option plan which is described in Note 8. No compensation expense is recognized for this plan when shares or share purchase options are issued to employees or directors. Any consideration paid by employees or directors on exercise of share purchase options or purchase of shares is credited to share capital. If shares or share purchase options are repurchased from employees or directors, the excess of the consideration paid over the carrying amount of the shares or share purchase options cancelled is charged to deficit.

(j) Long-term Investment

The Company follows the cost method of accounting for its investments with ownership less than 20%.

Note 3 Capital Assets

	2002			2001
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Office equipment	\$ 4,409	\$ 2,611	\$ 1,798	\$ 2,247
Computer equipment	13,724	11,764	1,960	2,801
	<u>\$ 18,133</u>	<u>\$ 14,375</u>	<u>\$ 3,758</u>	<u>\$ 5,048</u>

Note 4 Investment

The investment consists of 4,686,000 common shares of Genoray Advanced Technologies Ltd. (approximating a 12% interest). The Company has written-down the carrying value of the investment to its estimated net realizable value of \$1.

Note 5 Resource Properties – Note 9

Resource properties consist of:	<u>2002</u>	<u>2001</u>
i) Piskanja Borate Property, Republic of Serbia		
Acquisition costs – cash	\$ 14,000	\$ 14,000
– common shares	920,000	920,000
	<u>934,000</u>	<u>934,000</u>
Deferred exploration and development expenditures		
Consulting fees – Note 9	232,222	192,222
Drilling and testing	2,502,162	2,502,162
General and administration	753,610	753,610
Geological consulting	306,286	306,286
Legal fees	21,840	21,840
Travel and accommodation	286,549	286,549
	<u>4,102,669</u>	<u>4,062,669</u>
	5,036,669	4,996,669
Less: write-down of resource property	(5,036,668)	(4,996,668)
	<u>1</u>	<u>1</u>

Note 5 Resource Properties – Note 9 – (cont'd)

ii) Stope Baby mineral claims, British Columbia

Acquisition costs – cash	75,000	60,000
– common shares	10,000	-
	<u>85,000</u>	<u>60,000</u>
Deferred exploration and development expenditures		
Camp supplies	3,648	3,648
Claim staking	6,360	6,360
Drilling	18,233	18,233
Equipment rental	11,050	11,050
General and administration	1,486	1,486
Geological consulting fees – Note 8	72,200	52,200
Geophysical analysis	19,694	19,694
Line clearing	26,900	26,900
Travel and accommodation	6,253	6,253
	<u>165,824</u>	<u>145,824</u>
Reclamation bond	5,000	5,000
Less: mining tax credit	(19,671)	(29,164)
	<u>236,153</u>	<u>181,660</u>
Total	<u>\$ 236,154</u>	<u>\$ 181,661</u>

Piskanja Borate Property

The Piskanja borate property is located in the Ibar region of the Republic of Serbia (“Serbia”). The Company entered into a joint venture agreement dated October 4, 1996 whereby the Company can earn a 50% interest in the property through direct exploration expenditures (drilling and testing) totalling \$2,670,000 to conduct a research and reserves study leading to the preparation of a feasibility study. Upon determination that the feasibility study would be undertaken, the Company and its joint venture partner would each own 50% of the joint venture and each contribute 50% to all further expenditures. As at June 30, 2002, the cumulative total of direct exploration expenditures of \$2,670,000 has not been completed.

During the year ended June 30, 2001, the accumulated capitalized costs on the property were written-down to \$1 and the Company recorded a write-down of \$4,996,668. During the year ended June 30, 2002, the Company recorded a further write-down of \$40,000 in respect to additional consulting fees incurred.

Note 5 Resource Properties – Note 9 – (cont'd)

Stope Baby Mineral Claims

The Stope Baby mineral claims are comprised of 36 mineral claims located in the Cariboo Mining District of British Columbia. Pursuant to an option agreement dated February 28, 2000 and amended January 21, 2001 and March 12, 2002, the Company earned a 25% interest in the claims completing the following cash payments and share issuances:

- i) cash payment of \$20,000 on signing (paid);
- ii) cash payment of \$40,000 prior to January 15, 2001 (paid);
- iii) cash payment of \$10,000 prior to March 12, 2002 (paid);
- iv) issuance of 30,303 common shares of the Company at \$0.33 per share (issued);

In order to acquire the remaining 75% interest in the property, the Company must make total exploration expenditures on the property as follows:

<u>Date</u>	<u>Expenditures Required</u>	<u>Additional Interest Earned</u>
March 31, 2003	\$ 40,000 (incurred)	5%
March 31, 2004	100,000 (incurred)	10%
March 31, 2005	200,000	20%
March 31, 2006	410,000	40%
	<hr/>	<hr/>
	\$ 750,000	75%
	<hr/> <hr/>	<hr/> <hr/>

In the event that production is not achieved prior to December 31, 2003, the Company has agreed to pay an advance royalty of \$20,000 commencing December 31, 2003 and to be paid annually thereafter until production is attainable as follows:

- a) \$15,000 cash;
- b) \$5,000 in common shares of the Company.

Note 6 Advance Payable

The advance payable is unsecured, non-interest bearing and has no specific terms for repayment.

Note 7 Notes Payable

Notes payable consist of:	<u>2002</u>	<u>2001</u>
Note payable comprising of principle of \$401,898 (2001: \$499,744) plus accrued interest of \$230,252 (2001: \$154,930). This note bears interest at the rate of 12% per annum, compounded semi-annually on June 30 and December 31, is unsecured and payable on demand. The interest rate increases to 18% per annum 15 days after notice of demand.	\$ 632,150	\$ 654,674
Note payable comprising of principle of \$5,375 (2001: \$5,375) plus accrued interest of \$1,469 (2001: \$716). This note bears interest at the rate of 12% per annum, is unsecured and payable on demand.	6,844	6,091
	<u>\$ 638,994</u>	<u>\$ 660,765</u>

Note 8 Share Capital – Note 11

i) <u>Authorized:</u>			
Unlimited voting common shares without nominal or par value			
Unlimited preferred shares without nominal or par value			
ii) <u>Issued common shares:</u>			
		<u>Number</u>	<u>\$</u>
Balance, June 30, 2000		22,135,095	5,033,045
For cash			
– Pursuant to private placements	– at \$0.15	970,000	145,500
(less: commission)		-	(14,550)
– Pursuant to private placements	– at \$0.23	450,000	103,500
(less: commission)		-	(10,350)
– Pursuant to private placements	– at \$0.25	500,000	125,000
(less: commission)		-	(10,000)
Less: issue costs		-	(17,405)
Balance, June 30, 2001		<u>24,055,095</u>	<u>5,354,740</u>
For cash			
– Pursuant to private placements	– at \$0.25	788,000	197,000
	– at \$0.30	691,365	207,409
Less: issue costs		-	(8,661)
Pursuant to acquisition of a resource property – at \$0.30		30,303	10,000
Balance, June 30, 2002		<u>25,564,763</u>	<u>5,760,488</u>

Note 8 Share Capital – Note 11 – (cont'd)

iii) Commitments:

Stock-based Compensation Plan

The Company has granted directors and employees common share purchase options. These options are granted with an exercise price equal to the market price of the Company's shares on the date of the grant.

A summary of the status of the stock option plan as at June 30, 2002 and 2001 and changes during the years then ended is presented below:

	June 30, 2002		June 30, 2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,410,000	\$0.36	982,000	\$0.38
Expired	-	-	(422,000)	\$0.16
Granted	100,000	\$0.50	850,000	\$0.25
Options outstanding and exercisable at end of year	1,510,000	\$0.37	1,410,000	\$0.36

At June 30, 2002 the Company has 1,510,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
550,000	\$0.25	January 18, 2003
100,000	\$0.50	July 4, 2003
100,000	\$0.50	January 1, 2004
460,000	\$0.55	January 14, 2004
300,000	\$0.25	January 18, 2006
1,510,000		

Note 8 Share Capital – Note 11 – (cont'd)

iii) Commitments: – (cont'd)

Shares Subscribed

Shares subscribed as at June 30, 2002 consists of \$50,000 received in respect to a private placement of 500,000 units at \$0.25 per unit. Each unit consists of one common share of the Company and one common share purchase warrant to purchase one common share at \$0.35 per share, expiring June 20, 2003.

Share Purchase Warrants

At June 30, 2002 the Company has 1,579,365 common share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
388,000	\$0.50	July 12, 2002
691,365	\$0.60	February 15, 2003
500,000	\$0.50	March 5, 2003
<u>1,579,365</u>		

During the year ended June 30, 2002, 2,754,559 common share purchase warrants exercisable at \$0.50 expired. Subsequent to June 30, 2002, 388,000 common share purchase warrants exercisable at \$0.50 expired.

Note 9 Related Party Transactions

The Company incurred the following fees and expenses charged by directors, former directors and companies controlled by directors of the Company:

	<u>2002</u>	<u>2001</u>
Deferred exploration and development expenditures		
– consulting fees	\$ 40,000	\$ 40,000
– geological consulting fees	20,000	20,000
Management fees	78,000	84,000
Rent	9,000	9,000
Travel and promotion	3,000	3,000
	<u>\$ 150,000</u>	<u>\$ 156,000</u>

Note 9 Related Party Transactions – (cont'd)

The charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Accounts payable as at June 30, 2002 includes \$73,246 (2001: \$78,906) due to directors of the Company and a company with a common director.

Note 10 Corporation Income Tax Losses

At June 30, 2002, the Company has accumulated non-capital losses totalling \$1,441,375 which are available to reduce taxable income in future taxation years. These losses expire as follows:

2005	\$ 479,812
2006	36,438
2007	120,091
2008	336,671
2009	468,363
	<hr/>
	\$ 1,441,375
	<hr/> <hr/>

The Company also has accumulated Canadian and foreign exploration and development expenditures totalling \$5,739,930. These expenses can be used to offset certain 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.

Note 11 Subsequent Events

Subsequent to June 30, 2002:

- i) the Company has arranged a private placement of 600,000 units at \$0.25 per unit. Each unit will consist of one common share of the Company and one share purchase warrant. Each warrant is exercisable into one common share of the Company at \$0.35 per share until September 23, 2003. This private placement is subject to regulatory approval.
- ii) the Company has arranged a private placement of 500,000 units at \$0.25 per unit. Each unit will consist of one common share of the Company and one share purchase warrant. Each warrant is exercisable into one common share of the Company at \$0.35 per share until June 10, 2003.

Note 11 Subsequent Events – (cont'd)

- iii) the Company has arranged a debt settlement of 4,000,000 units at \$0.237 per unit to settle accounts payable of \$947,650. Each unit will consist of one common share of the Company and one half share purchase warrant. Each warrant is exercisable into one common share of the Company at \$0.50 per share for one year. This debt settlement is subject to regulatory approval.
- iv) the Company has arranged a debt settlement of 225,000 common shares of the Company at \$0.49 per share to settle \$110,235 of accounts payable. This debt settlement is subject to regulatory approval.
- v) the Company has arranged to settle \$239,000 of accounts payable by issuing a note payable for \$239,000. The note payable is unsecured, bears interest at 12% and has no specific terms for repayment.

Note 12 Non-cash Transaction

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. During the year ended June 30, 2002, the Company issued 30,303 common shares at \$0.33 to acquire a resource property. This transaction was excluded from the statement of cash flows.

Note 13 Discontinued Operations

During May 2002, the Company reduced its 65% investment in Genoray Advanced Technologies Ltd. (formerly Soundcache.com Inc.) to 12% and no longer has control of Genoray (Note 4). The Company has accounted for its remaining interest using the cost method. Income related to Genoray has been disclosed for the year ended June 30, 2002 and 2001 as income from discontinued operations as follows:

	<u>2002</u>	<u>2001</u>
Administrative Expenses		
Accounting and audit fees	\$ 3,000	\$ 2,959
Filing fees	1,266	-
Management fees	18,000	24,000
Transfer agent fees	1,359	3,627
	<u>23,625</u>	<u>30,586</u>
Loss before other items:	(23,625)	(30,586)
Other items:		
Gain on write-off of accounts payable	-	5,500
Gain on disposal of investment	169,557	-
Write-down of due from related party	(132,198)	-
Income (loss) from discontinued operations	<u>\$ 13,734</u>	<u>\$ (25,086)</u>

Note 13 Discontinued Operations – (cont'd)

The consolidated balance sheets include the following amounts related to the discontinued operations of Genoray:

	<u>2002</u>	<u>2001</u>
Cash	\$ -	\$ 618
Accounts receivable	-	56
	<hr/>	<hr/>
Current assets of discontinued operations	\$ -	\$ 674
	<hr/>	<hr/>
Accounts payable	\$ -	\$ 81,741
	<hr/>	<hr/>
Current liabilities of discontinued operations	\$ -	\$ 81,741
	<hr/>	<hr/>

Cash flows from discontinued operations are as follows:

	<u>2002</u>	<u>2001</u>
Operating Activities		
Net loss for the year	\$ (23,625)	\$ (25,086)
Item not involving cash:		
Gain on write-off of accounts payable	-	(5,500)
Changes in non-cash working capital balances consist of:		
Accounts receivable	(119)	569
Accounts payable and accrued liabilities	4,391	(25,983)
Due to related parties	19,353	55,333
	<hr/>	<hr/>
	-	(667)
	<hr/>	<hr/>
Financing Activity		
Issuance of share capital	-	299
	<hr/>	<hr/>
Decrease in cash from discontinued operations during the year	\$ -	\$ (368)
	<hr/>	<hr/>