Financial Statements

Alyattes Enterprises Inc.

Toronto, Ontario

December 31, 2001

Contents

Auditors' Report

PRENTICE YATES & CLARK
CHARTERED ACCOUNTANTS

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To the Directors of
Alyattes Enterprises Inc.:

We have audited the statement of financial position of **Alyattes Enterprises Inc.** as at December 31, 2001 and 2000 and the statements of net loss 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 audit.

We conducted our audit 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
April 1, 2002

Prentice Yates & Clark (signed)

Chartered Accountants

J.F. Yates, C.A.
R.J. Clark, C.A.
D.L.S. Robertson, C.A.
C.A. Petralito, B.A., C.A.
L.K. Turner, B.A., C.A.

Alyattes Enterprises Inc.

December 31

Statement of Financial Position - Assets

		2001		2000
Current				
Cash	$	26,771	$	34,419
GST recoverable		270		509
		27,041		34,928

Statement of Financial Position - Liabilities and Deficiency

	2001	2000
Current		
Accounts payable and accrued liabilities	37,414	35,000
Shareholders' Deficiency		
Capital stock, Note 4	159,500	159,500
Deficit	(169,873)	(159,572)
	(10,373)	(72)
	27,041	34,928

Approved by The Board

"Alan Ferry" *(signed)*
Director

"J. Patrick Sheridan Jr." *(signed)*
Director

The notes on page 7 and 8 form an integral part of these financial statements.

Statement of Net Loss and Deficit

	2001	2000
Expenses		
Audit and accounting fees	$ 7,341	$ 5,320
Bank charges and courier	1,900	1,914
Filing and OSC Fees	1,060	1,389
Printing	-0-	111
Penalty tax on renounced expenditures (recovery)	-0-	(1,750)
Net Loss for the Period	(10,301)	(6,984)
Deficit, beginning	(159,572)	(152,588)
Deficit, Ending	(169,873)	(159,572)

Basic and diluted net loss per share	0.01	0.01

Alyattes Enterprises Inc.

Years Ended December 31

Statement of Cash Flows

	2001	2000
Operating Activities		
Net loss	$ (10,301)	$ (6,984)
Changes in non-cash working capital components	2,653	(30,849)
Cash Used In Operating Activities	(7,648)	(37,833)
Financing Activities		
Issue of common shares	-0-	72,000
Cash Provided By Financing Activities	-0-	72,000
Net Cash (Decrease) Increase During the Year	(7,648)	34,167
Cash position, beginning	34,419	252
Cash position, Ending	26,771	34,419

Notes to Financial Statements

Note 1 Basis of Accounting

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. However, the Company had operating losses of $10,301 in 2001 and an accumulated deficit of $169,873. The Company does not have a revenue source that can provide it with a regular source of cash flows and is dependent on financing for future operations.

These financial statements do not give effect to any adjustments to the amount of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 2 Summary of Significant Accounting Policies

Nature of Operations

Alyattes Enterprises Inc. was incorporated July 5, 1996 to engage in the acquisition and exploration of mineral properties. The Company is in the development stage and has yet to generate any revenue from operations. The Company follows accounting policies generally accepted in Canada.

Exploration and Development Costs

Exploration costs incurred prior to the acquisition of an interest in a mining property are expensed as incurred.

Exploration costs incurred subsequent to the acquisition of an interest in a mining property will be deferred until such time as commercial production begins and then amortized against related production revenues. If a property is determined not to contain economically recoverable reserves these costs will be expensed at that time.

Administrative costs are expensed as incurred.

Note 3 Tax Losses Carry Forward

As at December 31, 2001 the Company had losses available for carry forward to reduce future taxable income expiring as follows:

December 31, 2004	$28,387
December 31, 2005	11,717
December 31, 2006	27,736
December 31, 2007	15,113
December 31, 2008	18,409

Note 4 Capital Stock

Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares, issuable in series.

	Shares	Amount
Issued and outstanding	797,501	159,500

Options

Directors and officers of the company hold 43,750 options to purchase common shares of the Company at an exercise price of $.20 per share. These options expire November 9, 2003.

Escrowed Shares

Pursuant to an escrow agreement dated November 9, 1998, 128,362 of the Company's issued common shares are in escrow. Release of 64,182 shares is automatic every November 11. Additional release is subject to regulatory approval.

Note 5 Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, marketable securities, and accounts payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.