

Financial Statements

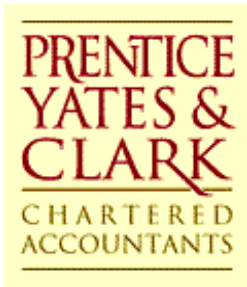
Alyattes Enterprises Inc.

Toronto, Ontario

December 31, 2002

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**To the Shareholders of
Alyattes Enterprises Inc.:**

We have audited the balance sheet of **Alyattes Enterprises Inc.** as at December 31, 2002 and 2001 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, 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.

Toronto, Ontario
March 22, 2003

"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.
T.W. McGivney, C.A.
J.J. Pauze, B.Acc., C.A.

Alyattes Enterprises Inc.

December 31

Balance Sheet - Assets	2002	2001
Current		
Cash	\$ 12,370	\$ 26,771
Marketable securities	10,050	-0-
GST recoverable	197	270
	<u>22,617</u>	<u>27,041</u>

Balance Sheet - Liabilities and Deficiency		
Current		
Accounts payable and accrued liabilities	<u>39,116</u>	<u>37,414</u>
Shareholders' Deficiency		
Capital stock, Note 4	159,500	159,500
Deficit	<u>(175,999)</u>	<u>(169,873)</u>
	<u>(16,499)</u>	<u>(10,373)</u>
	<u>22,617</u>	<u>27,041</u>

Approved by The Board

Alan Ferry	
_____	Director
Paul Roberts	
_____	Director

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

Alyattes Enterprises Inc.*Years Ended December 31*

Statement of Net Loss and Deficit	2002	2001
Expenses		
Audit and accounting fees	\$ 3,209	\$ 7,341
Bank charges and courier	1,835	1,900
Filing and OSC Fees	1,082	1,060
Net Loss for the Year	(6,126)	(10,301)
Deficit, beginning	(169,873)	(159,572)
Deficit, Ending	(175,999)	(169,873)
Basic and diluted net loss per share	0.008	0.013

Alyattes Enterprises Inc.*Years Ended December 31*

Statement of Cash Flows	2002	2001
Operating Activities		
Net loss	\$ (6,126)	\$ (10,301)
Changes in non-cash working capital components:		
Marketable securities	(10,050)	-0-
GST recoverable	73	239
Accounts payable and accrued liabilities	1,702	2,414
Net Cash Decrease During the Year	(14,401)	(7,648)
Cash position, beginning	26,771	34,419
Cash position, Ending	12,370	26,771

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 \$6,126 in 2002 and an accumulated deficit of \$175,999. 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, 2002 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
December 31, 2009	14,234

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 \$0.20 per share. These options expire November 9, 2003.

Escrowed Shares

Pursuant to an escrow agreement dated November 9, 1998, 64,180 of the Company's issued common shares remain in escrow. Release of these shares is automatic on November 11, 2003.

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.