Financial Statements

Alyattes Enterprises Inc.

Toronto, Ontario

December 31, 2003

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Auditors' Report

To the Shareholders of
Alyattes Enterprises Inc.:

We have audited the balance sheets of **Alyattes Enterprises Inc.** as at December 31, 2003 and 2002 and the statements of income 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, 2003 and 2002 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 29, 2004

Prentice Yates & Clark (signed)

Chartered Accountants

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.

Professional Corporations

Balance Sheet - Assets

		2003		2002
Current				
Cash	$	8,392	$	12,370
Marketable securities		0		10,050
GST recoverable		292		197
Accounts receivable		8,604		0
		17,288		22,617

Balance Sheet - Liabilities and Shareholders' Deficiency

	2003	2002
Current		
Accounts payable and accrued liabilities	40,488	39,116
Shareholders' Deficiency		
Capital stock, Note 4	159,500	159,500
Deficit	(182,700)	(175,999)
	(23,200)	(16,499)
	17,288	22,617

Approved by The Board

Alan Ferry

Director

J. Patrick Sheridan, Jr.

Director

The notes on page 7 through 9 form an integral part of these financial statements.

Alyattes Enterprises Inc.

Year Ended December 31, 2003

Statement of Income and Deficit

	2003	2002
Expenses		
Audit and accounting fees	$ 3,305	$ 3,209
Bank charges and courier	1,511	1,835
Filing and OSC fees	1,785	1,082
Loss on sale of investments	100	0
Loss for the Year	(6,701)	(6,126)
Deficit, beginning	(175,999)	(169,873)
Deficit, Ending	(180,700)	(175,999)
Basic and diluted net loss per share	0.008	0.008

Alyattes Enterprises Inc.

Years Ended December 31

Statement of Cash Flows

	2003	2002
Operating Activities		
Loss	$ (6,701)	$ (6,126)
Changes in non-cash working capital components:		
Marketable securities	10,050	(10,050)
GST recoverable	(95)	73
Accounts receivable	(8,604)	0
Accounts payable and accrued liabilities	1,372	1,702
Cash Decrease During the Year	(3,978)	(14,401)
Cash position, beginning	12,370	26,771
Cash position, Ending	8,392	12,370

Notes to Financial Statements

Note 1 **Nature of Operations**

Alyattes Enterprises Inc. was incorporated on 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.

Note 2 **Summary of Significant Accounting Policies**

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 $6,701 in 2003 and deficit of $182,700. 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.

Exploration and Development Costs

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

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 2 **Summary of Significant Accounting Policies – continued**

Stock-based Compensation

The company has adopted CICA's new handbook section 3870, Stock-Based Compensation and Other Stock-Based Payments. Under the new standard, stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2002, are accounted for using the fair-value based method.

The company, as permitted by section 3870, has chosen to continue its existing policy of recording no compensation costs on the grant of stock options to employees. Any consideration paid by employees on exercise of stock options is credited to capital stock.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 3 **Tax Losses Carry Forward**

As at December 31, 2003 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
December 31, 2010	6,711

Note 3 **Tax Losses Carry Forward – continued**

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the year in which the temporary differences are deductible. The potential income tax benefits of these losses are not recognized in these financial statements because management believes that the realization of future income tax assets does not meet the more likely than not realization criteria.

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.

	Common 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 $0.10 per share. These options expire November 9, 2004.

Note 5 **Financial Instruments**

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