

# PALLADON VENTURES LTD.

UNAUDITED FINANCIAL STATEMENTS

NINE MONTHS ENDED NOVEMBER 30, 2003 AND 2002

(Unaudited - Prepared By Management)

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# PALLADON VENTURES LTD.

## BALANCE SHEETS

NOVEMBER 30 AND FEBRUARY 28, 2003

(Unaudited - Prepared By Management)

	NOVEMBER 30 2003	FEBRUARY 28 2003
<b>ASSETS</b>		
CURRENT		
Cash	\$ 517,715	\$ 8,911
Accounts receivable	11,828	4,091
Prepaid expenses	495	2,125
	530,038	15,127
CAPITAL ASSETS	811	1,223
RESOURCE PROPERTIES	763,913	198,978
	\$ 1,294,762	\$ 215,328
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 86,002	\$ 114,434
Loan payable	-	-
Due to related parties	25,405	75,341
	111,407	189,775
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL	8,070,944	6,630,163
CONTRIBUTED SURPLUS	14,695	14,695
DEFICIT	(6,902,284)	(6,619,305)
	1,183,355	25,553
	\$ 1,294,762	\$ 215,328

APPROVED BY THE BOARD:

"George Young" Director

"Allan W. Williams" Director

# PALLADON VENTURES LTD.

STATEMENTS OF INCOME AND DEFICIT  
NINE MONTHS ENDED NOVEMBER 30, 2003 AND 2002  
(Unaudited - Prepared By Management)

	2003		2002	
	3 MONTHS	9 MONTHS	3 MONTHS	9 MONTHS
<b>EXPENSES</b>				
Amortization	\$ 175	\$ 412	\$ 139	\$ 419
Bank charges and interest	4,472	6,927	84	277
Financing costs	-	20,000	-	-
Management fees	28,967	64,923	17,100	32,100
Office and miscellaneous	22,340	50,846	10,271	19,380
Professional fees	11,715	37,041	10,600	22,061
Transfer agent and filing fees	1,893	20,197	400	3,449
Travel and promotion	34,857	76,213	14,915	17,951
<b>LOSS BEFORE OTHER ITEMS</b>	<b>104,419</b>	<b>276,559</b>	<b>53,509</b>	<b>95,637</b>
<b>OTHER ITEMS</b>				
Interest income	558	1,055	381	699
Foreign exchange gain (loss)	(15,990)	(7,475)	-	-
	(15,432)	(6,420)	381	699
<b>LOSS FOR THE PERIOD</b>	<b>119,851</b>	<b>282,979</b>	<b>53,128</b>	<b>94,938</b>
<b>DEFICIT, BEGINNING</b>	<b>6,782,433</b>	<b>6,619,305</b>	<b>6,469,707</b>	<b>6,427,897</b>
<b>DEFICIT, ENDING</b>	<b>\$ 6,902,284</b>	<b>\$ 6,902,284</b>	<b>\$ 6,522,835</b>	<b>\$ 6,522,835</b>
<b>LOSS PER SHARE</b>	<b>\$ 0.02</b>	<b>\$ 0.04</b>	<b>\$ 0.02</b>	<b>\$ 0.03</b>

# PALLADON VENTURES LTD.

## STATEMENTS OF CASH FLOW

NINE MONTHS ENDED NOVEMBER 30, 2003 AND 2002

(Unaudited - Prepared By Management)

	2003		2002	
	3 MONTHS	9 MONTHS	3 MONTHS	9 MONTHS
<b>OPERATING ACTIVITIES</b>				
Loss for the period	\$ (119,851)	\$ (282,979)	\$ (53,128)	\$ (94,938)
Item not involving cash:				
Amortization	175	412	139	419
	(119,676)	(282,567)	(52,989)	(94,519)
Changes in non-cash working capital items:				
Accounts receivable	(1,560)	(7,737)	3,880	1,413
Prepaid expenses	497	1,630	-	-
Accounts payable	(14,342)	(28,432)	400	(14,652)
	(135,081)	(317,106)	(48,709)	(107,758)
<b>INVESTING ACTIVITIES</b>				
Resource property costs	(223,990)	(564,935)	(93,802)	(93,802)
<b>FINANCING ACTIVITIES</b>				
Issuance of shares	505,325	1,440,781	115,000	135,000
Loans payable	(100,000)	-	-	-
Due to related parties	772	(49,936)	7,500	18,999
	406,097	1,390,845	122,500	153,999
<b>INCREASE (DECREASE) IN CASH</b>	47,026	508,804	(20,011)	(47,561)
<b>CASH, BEGINNING</b>	470,689	8,911	25,021	52,571
<b>CASH, ENDING</b>	\$ 517,715	\$ 517,715	\$ 5,010	\$ 5,010

# PALLADON VENTURES LTD.

## NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2003 AND 2002

(Unaudited – Prepared By Management)

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### 1. INTERIM REPORTING

While the information presented in the accompanying interim six month financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim period presented. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the company's audited February 28, 2003 financial statements. These statements follow the same accounting policies and methods of their application as the company's audited February 28, 2003 annual financial statements.

### 2. SHARE CAPITAL

#### AUTHORIZED

100,000,000 common shares without par value

#### ISSUED

	NUMBER	PRICE	AMOUNT
Balance – February 29, 2002	1,295,244		\$ 6,070,163
Issued for cash – Exercise of warrants	675,000	\$ 0.20	135,000
Issued for cash – Exercise of warrants	380,000	\$ 0.25	95,000
Conversion of special warrants	1,650,000	\$ 0.20	330,000
Balance – February 28, 2003	4,000,244		\$ 6,630,163
Issued for cash – Exercise of warrants	235,000	\$ 0.25	58,750
Bonus shares issued on loan	40,000	\$ 0.25	10,000
Issued for cash – Private placement (net of share issue costs of \$160,544)	3,309,000	\$ 0.25	679,206
Corporate finance fee	100,000	\$ -	-
Resource property	600,000	\$ 0.25	150,000
Finders fee – resource property	100,000	\$ 0.25	25,000
Issued for cash – Private placement (net of share issue costs of \$36,425)	1,317,000	\$ 0.25	292,825
Issued for cash – Private placement	833,333	\$ 0.27	225,000
Balance – November 30, 2003	10,534,577		\$ 8,070,944

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During the three months ended May 31, 2003, the Company issued 235,000 shares at \$0.25 each pursuant to the exercise of options.

During the three months ended August 31, 2003, the Company issued a bonus of 40,000 shares at a deemed price of \$0.25 each on the loan described below.

During the three months ended August 31, 2003, the Company completed the first tranche of a brokered private placement of 3,309,000 units at \$0.25 with each unit consisting of one common share of the Company and one share purchase warrant entitling the holder to purchase an additional share at \$0.30 each in the first year and at \$0.50 in the second year. The Company paid a corporate finance fee to the sponsoring brokerage firm of 100,000 fully paid and non-assessable common shares of the Company, issued 661,800 share purchase warrants to the agents with the same exercise period as the private placement warrants, paid a 10% commission to the agent and paid legal costs of the agent.

# PALLADON VENTURES LTD.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2003 AND 2002

(Unaudited – Prepared By Management)

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## 2. SHARE CAPITAL (continued)

During the three months ended August 31, 2003, the Company issued 600,000 shares as partial payment for the resource property described below and 100,000 shares as a finder's fee on the resource property all at a deemed price of \$0.25 each.

During the three months ended November 30, 2003, the Company completed the second and final tranche of a brokered private placement of 1,317,000 units at \$0.25 with each unit consisting of one common share of the Company and one share purchase warrant entitling the holder to purchase an additional share at \$0.30 each in the first year and at \$0.50 in the second year. The Company issued 263,400 share purchase warrants to the agents with the same exercise period as the private placement warrants, paid a 10% commission to the agent and paid legal costs of the agent.

During the three months ended November 30, 2003, the Company completed a private placement of 833,333 units at \$0.27 with each unit consisting of one common share of the Company and one share purchase warrant entitling the holder to purchase an additional share at \$0.30 each in the first year and at \$0.50 in the second year.

During the three months ended November 30, 2003, the Company granted options to directors, officers and employees to purchase 700,000 shares for \$0.45 per share and 150,000 shares at \$0.80 per share for a period of five years.

## 3. RELATED PARTY TRANSACTIONS

Management fees of \$64,923 (2003 - \$32,100) and rent of \$7,200 (2002 - \$Nil) were paid or accrued to directors or to a company controlled by a director of the Company.

Included in accounts payable at November 30, 2003 is \$40,044 (February 28, 2003 - \$65,122) due to related parties. Amounts due to related parties have no fixed terms repayment terms, do not bear interest and are unsecured.

These transactions were in the normal course of operations and were measured at the exchange value.

## 4. RESOURCE PROPERTIES

All resource property expenditures for the period were incurred on the Laguna Guadalosa, Argentina property and consisted of field costs, geological consulting and travel.

By agreement dated October 1, 2002, and amended April 121, 2003, the Company entered into an option agreement with Deseado LLC ("Deseado") to earn up to a 51% interest in approximately 100,000 hectares of mineral properties located in the Santa Cruz and Chubut provinces of Argentina.

As consideration for the option, the Company is required to issue 600,000 shares upon regulatory approval (issued) and 1,200,000 shares as expenditures are completed. The properties are divided into two groups with expenditure requirements as follows:

Laguna Guadalosa Property Group

- US\$30,000 on or before March 31, 2003 (incurred)
- An additional us\$270,000 on or before March 31, 2004

# PALLADON VENTURES LTD.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2003 AND 2002

(Unaudited – Prepared By Management)

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## 4. RESOURCE PROPERTIES (continued)

All other properties

- US\$40,000 on or before April 30, 2003 (incurred)
- An additional US\$160,000 on or before March 31, 2004

The Company also issued a 100,000 share finder's fee on the resource property.

During the three months ended November 30, 2003, the Company acquired an option to earn up to 70% of the Cerro Choique and La Brecha projects near Los Menucos in Rio Negro Province, Argentina. Cerro Choique covers 8,717 hectares and the La Brecha project covers 13,783 hectares. The Company has paid a \$30,000 option payment for these projects. The Company must complete a US\$30,000 work commitment on Cerro Choique by January 31, 2004 and additional US\$270,000 by November 30, 2004 for a 50% interest and US\$40,000 work commitment on La Brecha by June 30, 2004 and additional US\$60,000 by January 31, 2005 for a 50% interest. The Company has the option to spend an additional US\$1,900,000 to earn another 20% interest, giving it a total 70% interest in both projects. A finder's fee of 75,000 shares will be paid in connection with the acquisition of the option.

During the three months ended November 30, 2003, the Company entered into an option agreement to acquire a 65% interest in over 41,000 acres of mineral rights in Western Utah known as the Western Utah Copper District. Terms of the option agreement call for the Company to update and finalize a feasibility study and arrange financing (at the company's option) to place current reserves into production and to expend US\$4,000,000 over a five-year period on the exploration areas within the 41,000 acres. This transaction is subject to regulatory approval.

## 5. LOAN PAYABLE

The Company entered into an amended agreement with an arm's length party for a working capital loan of \$100,000 with interest at 10% per annum due July 16, 2003. As additional consideration the Company issued 40,000 units, consisting of 40,000 fully paid and non-assessable common shares of the Company and 40,000 share purchase warrants entitling the holder to purchase an additional share at \$0.30 each until May 1, 2004.

The Company has agreed to pay a finder's fee on the loan consisting of \$10,000 cash and 80,000 share purchase warrants entitling the holder to purchase an additional share at \$0.30 each until May 1, 2004.

The loan was repaid during the three months ended November 30, 2004.

## 6. SUBSEQUENT EVENTS

Subsequent to November 30, 2003, the Company completed a convertible debenture financing for gross proceeds of \$1,068,000. The debenture bears interest at 8% per annum and has a term of 3 years. A finders fee of 154,872 is payable. The principal amount and accrued interest of each debenture is convertible into units at a conversion price of \$0.69 per unit, if converted during the first two years of the term and at \$0.76 per unit if converted during the third year of the term. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional share at \$0.86 per share for a period of two years.



**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

\_\_\_\_\_ ✓ Schedules B and C

(Place X in appropriate category.)

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
PALLADON VENTURES LTD.	November 30, 2003	04/01/29

ISSUER'S ADDRESS

21071 - 43A Avenue

CITY PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Langley, B.C.	V3A 8K4	(604) 514-0184	(604) 532-3010
CONTACT PERSON	CONTACT'S POSITION		CONTACT TELEPHONE NO.
Allan W. Williams	President		(604) 532-3010
CONTACT EMAIL ADDRESS	WEB SITE ADDRESS		
none	None		

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.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
"Allan Williams"	Allan Williams	04/01/29

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
"George Young"	George Young	04/01/29

(Electronic signatures should be entered in "quotations".)

**PALLADON VENTURES LTD.  
QUARTERLY REPORT – FORM 51  
FOR THE NINE MONTHS ENDED NOVEMBER 30, 2003**

**SCHEDULE A. FINANCIAL STATEMENTS**

- See attached financial statements

**SCHEDULE B. SUPPLEMENTARY INFORMATION**

**1. ANALYSIS OF EXPENSES AND DEFERRED COSTS:**

Resource property costs - See Note 4 to the attached financial statements

General and administrative expenses – See attached financial statements

**2. RELATED PARTY TRANSACTIONS:**

See Note 3 to the attached financial statements

**3. SUMMARY OF SECURITIES ISSUED AND OPTIONS GRANTED DURING THE PERIOD:**

**COMMON SHARES**

See Note 2 to the attached financial statements

There are 37,500 shares held in escrow

**4. SUMMARY OF SECURITIES OUTSTANDING AT THE END OF THE REPORTING PERIOD:**

See Note 2 to the attached financial statements

**5. DIRECTORS AND OFFICERS:**

George S. Young      President and Director

Douglas B. Silver      Vice President

Allan W. Williams      Director

Chris Dempster      Secretary

Keith MacDougall      Director

**SCHEDULE C. MANAGEMENT DISCUSSION AND ANALYSIS**

- See attached

**PALLADON VENTURES LTD.**  
**QUARTERLY REPORT – FORM 51**  
**FOR THE NINE MONTHS ENDED NOVEMBER 30, 2003**

**SCHEDULE C. MANAGEMENT DISCUSSION AND ANALYSIS**

**Nature of Business**

The Company, since its inception, has been in the business of acquiring, exploring, and if warranted, developing natural resource properties with a view to achieving commercial production. The ability of the Company to survive as a going concern will depend on management's success in acquiring assets for the Company and to obtain financing to maintain the assets acquired, pay operating expenses and develop its assets.

During the year, The TSX removed the Company's inactive classification.

**Operating Results**

The Company's loss for the period was \$104,419 (2002 - \$53,128) and \$282,979 (2002 - \$94,938) for nine months. The loss was comprised of routine administrative, regulatory and office costs involved in maintaining a public company. The principal reasons for the increase in administrative expenses were increased travel, legal fees and management fees related to the brokered private placements, the property acquisitions and options and the increased activity of the Company in the mining business.

**Mineral Properties**

On October 28, 2002, the Company announced that it has reached an agreement to option a 51% interest in approximately 100,000 hectares of mineral property in Rio Negro, Chubut and Santa Cruz Provinces of Argentina. To exercise the option, the Company is required to issue a maximum of 1,800,000 shares from treasury: 600,000 shares immediately and 1,200,000 shares as expenditures requirements are completed.

For the purposes of the option agreement, the mineral properties are divided into two groups. The expenditure requirement to earn an option to acquire a 51% interest on the property group known as Laguna Guadalosa is as follows:

<b>Expenditure</b>	<b>US Dollar Amount</b>
On or before March 31, 2003	\$30,000 (optional)
On or before March 31, 2004	\$an additional \$270,000 (optional)

Subject to advance or completion of the initial US \$30,000 in expenditures on the Laguna Guadalosa properties being made by March 31, 2003, the Company will acquire an option to earn a 51% interest in the balance of the properties as follows:

<b>Expenditure</b>	<b>US Dollar Amount</b>
On or before March 31, 2003	\$40,000 (optional)
On or before March 31, 2004	\$an additional \$160,000 (optional)

On completion of the foregoing expenditures, the vendor and the Company shall form a joint venture to advance the properties on industry terms.

The Laguna Guadalosa property covers 50,700 hectares within the Jurassic rhyolite ash flows of the Deseado Massif of southern Argentina. The prospect encompasses outcropping gold-bearing quartz veins on multiple trends extending over six kilometres in length and up to four metres in thickness. The veins are accompanied by parallel, sheeted and stockworked veinlets and silification. Previous sampling has yielded grades in outcrop up to 1.4 g/t with 160g/t of silver.

Regulatory approval for the transaction was received during the year and the Company has issued the 600,000 shares referred to above. A finder's fee of 100,000 shares was also paid.

During the three months ended November 30, 2003, the Company acquired an option to earn up to 70% of the Cerro Choique and La Brecha projects near Los Menucos in Rio Negro Province, Argentina. Cerro Choique covers 8,717 hectares and the La Brecha project covers 13,783 hectares. The Company has paid a \$30,000 option payment for these projects. The Company must complete a US\$30,000 work commitment on Cerro Choique by January 31, 2004 and additional US\$270,000 by November 30, 2004 for a 50% interest and US\$40,000 work commitment on La Brecha by June 30, 2004 and additional US\$60,000 by January 31, 2005 for a 50% interest. The Company has the option to spend an additional US\$1,900,000 to earn another 20% interest, giving it a total 70% interest in both projects. A finder's fee of 75,000 shares will be paid in connection with the acquisition of the option.

During the three months ended November 30, 2003, the Company entered into an option agreement to acquire a 65% interest in over 41,000 acres of mineral rights in Western Utah known as the Western Utah Copper District. Terms of the option agreement call for the Company to update and finalize a feasibility study and arrange financing (at the company's option) to place current reserves into production and to expend US\$4,000,000 over a five-year period on the exploration areas within the 41,000 acres. This transaction is subject to regulatory approval

### **Liquidity and Financings**

In the first six months of the fiscal year, the Company issued 4,149,000 for cash, finder's fees, property payments and a loan bonus during the period for a net increase in share capital of \$876,706. These amounts include the first tranche of a brokered private placement of 3,309,000 units that is outlined in the notes to the financial statements.

During the three months ended November 30, 2003, the Company completed the second and final tranche of a brokered private placement of 1,317,000 units at \$0.25 for and a private placement for 833,333 units @ \$0.27 per unit for total net proceeds of \$505,325.

As at November 30, 2003, the Company had cash on hand of \$517,715 and a net working capital position of \$418,631.

### **Subsequent and Significant Events**

Subsequent to November 30, 2003, the Company completed a convertible debenture financing for gross proceeds of \$1,068,000. The debenture bears interest at 8% per annum and has a term of 3 years. A finders fee of 154,872 is payable. The principal amount and accrued interest of each debenture is convertible into units at a conversion price of \$0.69 per unit, if converted during the first two years of the term and at \$0.76 per unit if converted during the third year of the term. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional share at \$0.86 per share for a period of two years.

The proceeds of this debenture financing were used to acquire the 65% interest in the 41,000 acres of mineral rights in the Western Utah Copper District referred to above. The District has been the subject of historic production dating to the 1870's and more recent exploration by Noranda, Anaconda and Kennecott.

### **Investor Relations Activities**

During the period, directors have handled investor relations. These activities have consisted primarily of responding to shareholder inquiries and discussions with potential participants in financing of the Company. The Company has no investor relation agreements.