



**British Columbia
Securities Commission**

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

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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
PALLADON VENTURES LTD.	February 28, 2003	03/07/18

ISSUER'S ADDRESS **21071 - 43A Avenue**

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Langley	BC	V3A 8KA	604-514-0184	604-532-3010
CONTACT PERSON	CONTACT'S POSITION		CONTACT TELEPHONE NO.	
George Young	President		801-541-0183	
CONTACT E-MAIL ADDRESS			WEB SITE ADDRESS	
N/A			N/A	

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.

"George Young"	GEORGE YOUNG	03/07/18
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

"H. Keith MacDougall"	H. KEITH MACDOUGALL	03/07/18
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

PALLADON VENTURES LTD.

FINANCIAL STATEMENTS

February 28, 2003 and 2002

AUDITORS' REPORT

To the Shareholders,
Palladon Ventures Ltd.

We have audited the balance sheet of Palladon Ventures Ltd. as at February 28, 2003 and the statements of operations and deficit and cash flows for the year 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 February 28, 2003 and the results of its operations and its cash flows for the year 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 principles have been applied on a basis consistent with that of the preceding year.

The financial statements as at February 28, 2002 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 12, 2002.

Vancouver, Canada
June 25, 2003

“AMISANO HANSON”
Chartered Accountants

PALLADON VENTURES LTD.
BALANCE SHEETS
February 28, 2003 and 2002

	<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
Current			
Cash		\$ 8,911	\$ 52,571
GST receivable		4,091	6,997
Prepaid expenses		2,125	-
		15,127	59,568
Capital assets – Note 3		1,223	1,545
Resource properties – Note 4		198,978	-
		\$ 215,328	\$ 61,113
<u>LIABILITIES</u>			
Current			
Accounts payable and accruals – Note 6		\$ 114,434	\$ 21,823
Due to related parties – Note 6		75,341	52,329
		189,775	74,152
<u>SHAREHOLDERS' EQUITY (DEFICIENCY)</u>			
Share capital – Notes 5 and 10		6,630,163	6,070,163
Special warrants – Note 5		-	330,000
Contributed surplus		14,695	14,695
Deficit		(6,619,305)	(6,427,897)
		25,553	(13,039)
		\$ 215,328	\$ 61,113

Nature and Continuance of Operations – Note 1
Commitments – Notes 4, 5 and 10
Subsequent Events – Note 10

APPROVED BY THE DIRECTORS:

“George Young”

_____, Director

“H. Keith MacDougall”

_____, Director

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
STATEMENTS OF OPERATIONS AND DEFICIT
for the years ended February 28, 2003 and 2002

	<u>2003</u>	<u>2002</u>
General and Administrative Expenses		
Amortization	\$ 775	\$ 132
Bank charges and interest	827	562
Consulting fees –Note 6	15,970	-
Financing costs – Note 6	-	18,500
Management fees – Note 6	72,419	46,500
Office and administration –Note 6	13,500	14,218
Professional fees	33,319	81,118
Rent	3,200	4,420
Shareholder information	1,324	2,157
Telephone	8,644	3,361
Transfer agent and filing fees	7,864	16,032
Travel and promotion	38,064	31,113
	<hr/>	<hr/>
Loss before Other	(195,906)	(218,113)
Other:		
Interest income	728	5,257
Gain on foreign exchange	3,770	-
	<hr/>	<hr/>
Net loss for the year	(191,408)	(212,856)
Deficit, beginning of the year	(6,427,897)	(6,215,041)
	<hr/>	<hr/>
Deficit, end of the year	\$ (6,619,305)	\$ (6,427,897)
	<hr/>	<hr/>
Basic and diluted loss per share	\$ (0.07)	\$ (0.17)
	<hr/>	<hr/>

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
STATEMENTS OF CASH FLOWS
for the years ended February 28, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating Activities		
Net loss for the year	\$ (191,408)	\$ (212,856)
Items not involving cash:		
Amortization	775	132
Financing cost paid by issue of shares	-	18,500
	<hr/>	<hr/>
Changes in non-cash working capital items:	(190,633)	(194,224)
GST Receivable	2,906	(4,885)
Prepaid expenses	(2,125)	-
Accounts payable	92,611	(8,822)
	<hr/>	<hr/>
Cash used in operating activities	(97,241)	(207,931)
	<hr/>	<hr/>
Investing Activities		
Acquisition of capital assets	(453)	(1,677)
Resource property costs	(198,978)	-
	<hr/>	<hr/>
Cash used for investing activities	(199,431)	(1,677)
	<hr/>	<hr/>
Financing Activities		
Advances from related parties	23,012	26,233
Repayment of promissory notes	-	(26,206)
Issuance of special warrants for cash	-	258,000
Issuance of shares for cash	230,000	-
	<hr/>	<hr/>
Cash provided by financing activities	253,012	258,027
	<hr/>	<hr/>
Increase (decrease) in cash during the year	(43,660)	48,419
Cash, beginning of the year	52,571	4,152
	<hr/>	<hr/>
Cash, end of the year	\$ 8,911	\$ 52,571
	<hr/> <hr/>	<hr/> <hr/>
Supplemental disclosure of cash flow information;		
Cash paid for:		
Interest	\$ -	\$ -
	<hr/>	<hr/>
Income taxes	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>

Non-cash Transactions – Note 8

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2003 and 2002

Note 1 Nature and Continuance of Operations

Palladon Ventures Ltd. (the "Company") is a public company incorporated on August 25, 1980 under the Company Act of British Columbia and is in the business of acquiring, exploring and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At February 28, 2003, the Company was in the exploration stage and had interests in properties located in Argentina. The Company is listed on the TSX Venture Exchange (the "Exchange") and is currently designated as inactive.

The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

The financial statements have been prepared using Canadian generally accepted accounting principles applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. As at February 28, 2003, the Company had a working capital deficiency of \$174,648. The Company has accumulated losses of \$6,619,305 since its inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

Note 2 Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles 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) Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash accounts payable and accruals and due to related parties approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Note 2 Significant Accounting Policies – (cont'd)

(b) Capital Assets and Amortization

Capital assets are recorded at cost. The Company provides for amortization using the following rate:

Office furniture and equipment	3 year straight-line method
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(c) Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

(d) Loss per Share

Loss per share is 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.

Note 2 Significant Accounting Policies – (cont'd)

(e) Stock-based Compensation

The Company has a stock-based compensation plan as disclosed in Note 5, whereby stock options are granted in accordance with the policies of regulatory authorities. The Company applies the “settlement method” of accounting for stock-based compensation awards. No compensation expense is recognized for those options when issued to employees and directors. Any consideration paid by employees and directors upon exercise of stock options is credited to share capital.

Effective for fiscal years beginning on or after January 1, 2002, public companies are required to adopt the new recommendations of the Canadian Institute of Chartered Accountants regarding accounting for Canadian Stock-based Compensation. These new requirements require that all stock based payments to non-employees and direct awards of stock to employees be accounted for using a fair value based method of accounting. However, the new standard permits the Company to continue its existing policy of not recording compensation cost on the grant of stock options to employees with the addition of pro forma information. The Company has elected to apply the pro forma disclosure provisions of the new standard to awards granted on or after March 1, 2002.

(f) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

(g) Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

Note 3 Capital Assets

	<u>2003</u>			<u>2002</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Office furniture and equipment	\$ 2,130	\$ 907	\$ 1,223	\$ 1,545

Note 4 Resource Properties

	<u>2003</u>	<u>2002</u>
Laguna Guadalosa, Argentina		
Claim fees	\$ 16,590	\$ -
Geological consulting	96,168	-
Field costs	3,881	-
Miscellaneous and reporting	15,341	-
Salaries and wages	18,710	-
Travel	48,288	-
	<u>\$ 198,978</u>	<u>\$ -</u>

By agreement dated October 1, 2002, and amended April 11, 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 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;
- An additional US\$270,000 on or before March 31, 2004

All other properties

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

The agreement is subject to regulatory approval.

Note 5 Share Capital – Note 10

Authorized:

100,000,000 common shares without par value

Issued:	<u>Number of Shares</u>	<u>Amount</u>
Balance, February 28, 2001	1,152,744	6,021,663
Issued on conversion of special warrants – at \$0.60 each	50,000	30,000
Issued pursuant to promissory notes – at \$0.20 each	92,500	18,500
	<hr/>	<hr/>
Balance, February 28, 2002	1,295,244	6,070,163
Issued for cash on exercise of warrants – at \$0.20 each	675,000	135,000
Issued for cash on exercise of warrants – at \$0.25 each	380,000	95,000
Issued on conversion of special warrants – at \$0.20 each	1,650,000	330,000
	<hr/>	<hr/>
Balance, February 28, 2003	<u>4,000,244</u>	<u>6,630,163</u>

Escrow Shares

As at February 28, 2003, 37,500 (2002: 37,500) common shares are held in escrow subject to direction for their release by regulatory authorities.

Commitments:

Share Purchase Warrants

As at February 28, 2003 and 2002, the Company had the following share purchase warrants outstanding:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Share Purchase Warrants Year Ended February 28,</u>	
		<u>2003</u>	<u>2002</u>
May 25, 2002	\$0.69	-	50,000
May 28, 2002/2003	\$0.20/\$0.25	160,000	640,000
November 16, 2002/2003	\$0.20/\$0.25	75,000	650,000
		<hr/>	<hr/>
		<u>235,000</u>	<u>1,340,000</u>

Note 5 Share Capital – Note 10 – (cont'd)

Special Warrants

During the year ended February 28, 2002, the Company issued 1,650,000 special warrants at \$0.20 each. Of these special warrants, 360,000 are convertible into common shares for no additional consideration and 1,290,000 are convertible into units, each unit consisting of one common share and a share purchase warrant entitling the holder to purchase an additional share at \$0.20 each in the first year and \$0.25 in the second year. During the year ended February 28, 2003 the Company issued 1,650,000 shares on conversion of the special warrants.

Note 6 Related Party Transactions

The Company incurred the following transactions with related parties consisting of current and/or former directors or private companies controlled by them:

	Year ended February 28	
	<u>2003</u>	<u>2002</u>
Management fees	\$ 72,419	\$ 46,000
Financing fees	-	18,500
Consulting fees	15,970	-
Furniture rental fees	300	-
Total	<u>\$ 88,689</u>	<u>\$ 64,500</u>

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

As at February 28, 2003, accounts payable included \$65,122 (2002: \$Nil) owing to related parties. Amounts due to related parties have no fixed repayment terms, do not bear interest and are unsecured.

During the year ended February 28, 2002 the Company issued 92,500 shares at \$0.20 each for financing costs related to promissory notes due to related parties and issued 360,000 special warrants at \$0.20 each for debts due to related parties.

Note 7 Income Taxes

The Company is subject to federal and provincial taxes in Canada. The Company has estimated accumulated resource property expenditure amounts of \$2,665,891 and non-capital losses of approximately \$1,737,561 for income tax purposes, which are available for carryforward to reduce future years' taxable income. The income tax losses expire as follows:

Year ending February 28, 2004	\$	360,598
		2005 404,025
		2006 307,538
		2007 116,190
		2008 160,675
		2009 192,587
		2010 195,588
		<u> </u>
	\$	<u>1,737,561</u>

	<u>2003</u>	<u>2002</u>
Future income tax assets		
Net operating loss carryforwards	\$ 618,572	\$ 606,217
Capital assets	907	132
Share issue costs	4,490	752
Resource property expenditures	949,057	927,559
	<u>1,573,026</u>	<u>1,534,660</u>
Less: future income tax asset valuation allowance	(1,573,026)	(1,534,660)
	<u> </u>	<u> </u>
Net future income tax assets	\$ -	\$ -

Management believes there is sufficient uncertainty regarding the realization of future income tax assets such that a full valuation allowance has been provided.

Note 8 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the cash flow statements. During the year ended February 28, 2002 the following transactions were excluded from the statement of cash flows:

- a) The Company issued 92,500 shares at \$0.20 each as consideration for advances received pursuant to promissory notes.
- b) The Company issued 360,000 special warrants at \$0.20 each for debt settlements.

Note 9 Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

Note 10 Subsequent Events

- a) Subsequent to February 28, 2003 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 will issue 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 \$0.00 each for each warrant held. The warrants expire 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. Each warrant entitles the holder to purchase an additional share at \$0.30 each until May 1, 2004.

- b) Subsequent to February 28, 2003, the Company agreed to a brokered private placement of up to 4,000,000 units at \$0.25 each for gross proceeds of \$1,000,000. Each unit will consist of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase an additional common share for two years at \$0.30 each in the first year and \$0.50 each in the second year. The agent will receive a financing fee of 100,000 common shares, an administration fee of \$5,000, a 10% cash commission of which one-half may be paid in units, plus agents warrants equal to 20% of total units sold. The agent's warrants will be on the same terms as the private placement warrants. The private placement is subject to regulatory approval.
- c) Subsequent to February 28, 2003, the Company issued 235,000 common shares at \$0.25 each on the exercise of previously outstanding warrants.