

**ANNUAL INFORMATION FORM**  
(“AIF”)

**of**

**AUGUSTA RESOURCE CORPORATION**

(the “Issuer”)

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**Dated: July 16, 2003**

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**ITEM 1: PRELIMINARY NOTES*****Effective Date of Information***

This AIF is dated July 16, 2003, and the information contained herein is current as of such date, other than certain financial information which is current as of December 31, 2002, being the date of the Issuer's most recently completed financial year end.

***Incorporation of Other Information***

The information provided in this AIF is supplemented by disclosure contained in the documents listed below which are incorporated by reference into this AIF. These documents must be read together with the AIF in order to provide full, true and plain disclosure of all material facts relating to the Issuer. The documents listed below are not contained within, nor attached to this document. The documents may be accessed by the reader at the following locations:

<b>Document Type as referenced on SEDAR</b>	<b>Effective Date/ Period Ended</b>	<b>Dated Filed on SEDAR</b>	<b>Location of Document</b>
Management Proxy/Information Circular-English	February 1, 2003	February 12, 2003	www.sedar.com
Audited Annual Financial Statements - English (most recent)	December 31, 2002	February 12, 2003	www.sedar.com www.augustaresource.com
BC Form 51-901F	December 31, 2002	February 12, 2003	www.sedar.com
Interim Financial Statements - English (most recent)	March 31, 2003	May 30, 2003	www.sedar.com www.augustaresource.com
BC Form 51-901F	March 31, 2003	May 30, 2003	www.sedar.com
Other (Report on AW Mineral Claims)	May 31, 2002	June 7, 2002	www.sedar.com
Other (Report on GT, ALS-1, ALS-2, ALS-3, TH, VT, JR & HK ("Eight") Mineral Claims)	January 22, 2002	February 25, 2002	www.sedar.com
Other (Report on BH Mineral Claims)	January 10, 2002	February 25, 2002	www.sedar.com
Press Releases - English (for 2002 and 2003)	Various Dates		www.sedar.com www.augustaresource.com

See Item 9 for further particulars of obtaining copies of the documents listed above.

All financial information in this AIF is prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The Issuer's fiscal year end is December 31.

***Currency***

All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

***Purpose***

This AIF is prepared in accordance with Form 44-101F1 to National Instrument 44-101, for the limited purpose of providing relevant background material necessary for a proper understanding of the nature of the Issuer, its operations and prospects for the future.

## **ITEM 2: CORPORATE STRUCTURE**

### ***Incorporation or Organization of Issuer***

The Issuer was incorporated on January 14, 1937 by Articles of Incorporation Letters Patent pursuant to the *Ontario Business Corporations Act* under the name of Hol-Lac Gold Mines, Limited. On July 3, 1997, the Issuer changed its name to Augusta Resource Corporation. On June 28, 1999 the Issuer was continued under section 187 of the *Canada Business Corporations Act*.

The head office of the Issuer is located at Suite 400, 837 West Hastings Street, Vancouver, B.C., V6C 3N6, and its registered office is located at Suite 700, 625 Howe Street, Vancouver, B.C., V6C 2T6.

The Issuer is a reporting issuer under the *Securities Act* (BC), *Securities Act* (Alberta), and *Securities Act* (Ontario), and, as such, is required to make filings on a continuous basis thereunder. Such material is available for inspection through the B. C. Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission, and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### ***Subsidiaries***

The Issuer has no subsidiaries.

### ***Employees***

The Issuer currently has two full-time employees who are directors of the Issuer (being Richard Warke and Donald Clark). The business of the Issuer is conducted by its directors and officers. Messrs. Warke and Clark are remunerated for their services. See the Issuer's Information Circular and financial statements which are incorporated herein by reference.

## **ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS**

### ***Three Year History***

During the past three years the Issuer has been engaged in mineral exploration and development with interests in properties in Mexico, the United States, and more recently in Nunavut, Canada. During the year ended December 31, 1999, notwithstanding the depressed market for junior resource companies, the Issuer was able to complete limited work programs on its properties located in Mexico and the United States. The Issuer completed an 11 hole drill program on its Ocampo gold-silver property located in Chihuahua State, Mexico, which confirmed the continuation and extension of the mineralization on two of the previously defined mineralized zones on that property. The Issuer experienced difficulty in raising financing for further work programs on the Ocampo property and upon re-negotiation of the Guadalupe y Calvo, Chihuahua State, Mexico property acquisition agreement, the Issuer decided not to proceed with the Ocampo property, and funds totalling \$402,543 were written off prior to the year end.

During the year ended December 31, 2000, the Issuer experienced mediocre exploration results, low commodity prices and the overall poor market conditions, which resulted in the inability by the Issuer to raise sufficient financing to maintain its properties. The Issuer wrote-off all of its remaining mining assets located in Mexico and the United States.

During the year ended December 31, 2001, due to the overall depressed market environment for junior resource companies, the Issuer was basically inactive.

During the year ended December 31, 2002, the Issuer entered into agreements to acquire various levels of interests (from 10% to 100%) in thirteen separate blocks of land claims aggregating over 1.6 million acres of land located in the Coronation Diamond District, Nunavut, Canada (refer to the headings "Significant Acquisitions and Dispositions" and "Narrative Description of the Business" herein for particulars). In addition:

- on January 25, 2002, the Issuer received acceptance from the TSX Venture Exchange ("TSX Venture") to settle debts aggregating \$57,072 by the issuance of a total of 570,720 common shares at a deemed price of \$0.10 per share, which shares were issued on January 25, 2002. This debt was with a company in which a director of the Issuer has a 25% interest;
- on February 27, 2002, the Issuer received acceptance from TSX Venture to settle debts aggregating \$50,000 by the issuance of a total of 333,000 common shares at a deemed price of \$0.15 per share, which shares were issued on March 1, 2002 and are subject to a hold period expiring July 1, 2002;
- on March 12, 2002 the Issuer entered into an Option Agreement with Ashton Mining (Northwest Territories) Ltd., a wholly-owned subsidiary of Ashton Mining of Canada Inc., on a 138,000 acre property in Nunavut (the "BH Property"). This Agreement was subsequently replaced by an Agreement dated May 17, 2002 (see the May 17, 2002 entry below for further particulars);
- on March 13, 2002, the Issuer received acceptance from TSX Venture to a private placement of 300,000 units at a price of \$0.25 per unit for gross proceeds of \$75,000. These units were issued on March 20, 2002, each unit consisting of one common share and one non-transferable share purchase warrant, each warrant being exercisable into one common share at a price of \$0.25 per share on or before March 21, 2004. The shares and any shares issued on exercise of the warrants are subject to a hold period expiring July 21, 2002;
- on April 8, 2002, the Issuer received acceptance from TSX Venture to a private placement of 1,900,000 common shares at a price of \$0.10 per share for gross proceeds of \$190,000. These shares were issued on April 8, 2002 and are subject to a hold period expiring August 8, 2002;
- on April 26, 2002, the Issuer received acceptance from TSX Venture to a private placement of 500,000 units at a price of \$0.25 per unit for gross proceeds of \$125,000. These Units were issued on May 7, 2002, each unit consisting of one common share and one non-transferable share purchase warrant, two warrants being exercisable into one common share at a price of \$0.25 per share on or before May 7, 2003. In connection with this private placement, 50,000 units at a price of \$0.25 per unit were issued on May 7, 2002 as a commission, each unit consisting of one common share and one non-transferable share purchase warrant, two warrants being exercisable into one common share at a price of \$0.25 per share on or before May 7, 2003. The shares and any shares to be issued on exercise of the warrants will be subject to a hold period expiring September 8, 2002;

- on April 30, 2002 the Issuer received acceptance from TSX Venture to a bridge loan from Canaccord Capital Corporation in the amount of \$100,000. The loan is to be repaid from a forthcoming private placement or a public offering. In consideration for the loan, on May 10, 2002 the Issuer issued to Canaccord Capital Corporation 40,000 common shares at a deemed price of \$0.25 per share and 80,000 share purchase warrants, each warrant entitling the holder to purchase one additional common share, exercisable for a period of two years from the date of issuance at \$0.25 per share, expiring May 10, 2004. These shares and any shares issued on exercise of the warrants are subject to a hold period expiring September 11, 2002;
- on May 17, 2002, the Issuer entered into five Option and Joint Venture Agreements with Ashton Mining (Northwest Territories) Ltd. ("Ashton"), a wholly owned subsidiary of Ashton Mining of Canada Inc. regarding the AG, AW, JUQ, TE and WS properties. The Issuer holds options to earn 100% interests in each of these properties. Under the terms of these agreements, including an agreement relative to the BH Property which was announced March 12, 2002 and for which the terms have been amended to correspond to the five new agreements, the Issuer agreed to fund a Phase I exploration program that Ashton will conduct during the 2002 exploration season. Upon completion of Phase I, Ashton will have the option to earn a 60% working interest in the properties by spending up to an aggregate maximum amount of \$8,713,000 not later than April 30, 2006. Upon earning these interests, Ashton will carry the Issuer for a further aggregate maximum amount of \$750,000 of exploration expenditures under the terms of the relative joint venture agreements. Refer to the headings "Significant Acquisitions and Dispositions" and "Narrative Description of the Business" herein for further particulars.
- on June 14, 2002 the Issuer received acceptance from TSX Venture to a Fiscal Advisory Agreement with Canaccord Capital Corporation whereby Canaccord agreed to assist the Issuer in seeking equity financings, providing marketing and business consultations and certain other services. In consideration therefor, on June 20, 2002 the Issuer issued Canaccord Agent's Warrants to purchase up to 350,000 common shares of the Issuer at \$0.20 per share on or before June 20, 2004. Any shares issued on exercise of the warrants are subject to a hold period expiring October 21, 2002;
- on August 29, 2002, the Issuer reached an agreement with the vendors of the AG, JUQ, TE, MARS and WS properties, aggregating approximately 664,000 acres, all located in the Coronation Diamond District, Nunavut, Canada, whereby the Issuer would return all rights to these properties to the vendors;
- on September 5, 2002 the Issuer received acceptance from TSX Venture to a private placement of 1,125,000 units at a price of \$0.20 per unit for gross proceeds of \$225,000. These units were issued on September 6, 2002, each unit consisting of one common share and one non-transferable share purchase warrant, each warrant being exercisable into one common share at a price of \$0.22 per share on or before September 5, 2003. The shares and any shares issued on exercise of the warrants are subject to a hold period expiring on January 6, 2003;
- on October 2, 2002, the Issuer announced it would not proceed further with its option to acquire the ALS and ALN properties, aggregating 307,309 acres and located in the Coronation Diamond District, Nunavut, Canada;

During the latter half of 2002, the Coronation Diamond District area play went relatively quiet with the absence of any significant exploration success from any of the companies involved. This restricted the Issuers ability to raise sufficient financing to meet its obligations on all of its property option agreements. As a result a number of its property interests were dropped as reported above. Subsequent to the year ended December 31, 2002, the Issuer:

- effective April 8, 2003, the Issuer consolidated its issued and outstanding shares on a three old for one new basis with no change in name. Post consolidation the Issuer had 6,022,386 shares issued and outstanding. Effective April 8, 2003, the Issuer's shares began trading under its new symbol "YGU";
- on June 19, 2003, the Issuer negotiated a private placement of up to 1,500,000 units at a price of \$0.10 per unit for gross proceeds of \$150,000. Each unit will consist of one common share and one-half of a non-transferrable share purchase warrant, each warrant being exercisable into one common share at a price of \$0.15 for a period of one year from the date of issuance. At the same time the Issuer negotiated a private placement of up to 1,500,000 units at a price of \$0.15 per unit for gross proceeds of \$225,000. Each unit will consist of one flow-through common share and one-half of a non transferable share purchase warrant, each warrant being exercisable into one common share at a price of \$0.15 for a period of one year from the date of issuance. *These private placements are subject to acceptance from TSX Venture;*

The proceeds from the private placements negotiated as at June 19, 2003, \$150,000 on a non flow-through basis and \$225,000 on a flow-through basis will be used for general working capital purposes and initial work expenditures on the BH and AW Properties respectively;

### ***Significant Acquisitions and Dispositions***

During the year ended December 31, 2002, the Issuer acquired and/or disposed of the following properties. All transactions were conducted with arms length parties.

#### **Acquisitions**

1. Pursuant to an Option Agreement dated January 15, 2002 between 4763 NWT Ltd. ("4763") and the Issuer, the Issuer was granted an option to acquire a 20% working interest in the GT block of land claims comprising 127,179.34 acres (the "GT Property") located in the Coronation Gulf diamond district of Nunavut, Canada. In consideration therefor, the Issuer agreed to:
  - (a) pay 4763 \$0.55 per acre (for a total of \$69,948), \$0.275 per acre of which was payable on signing the GT Agreement, and the balance payable within four months of receipt of regulatory approval;
  - (b) issue 4763 a total of 100,000 common shares, 50,000 of which are issuable within 10 days of regulatory approval (the "First Issuance"), and the balance of 50,000 shares issuable on the first anniversary of the First Issuance, based on property work completed and supported by independent engineering reports, and subject to regulatory approval;

- (c) complete work expenditures to the amount required to be expended by the primary optionee (the "Primary Optionee"), who has entered into an agreement (the "Primary Option Agreement") with 4763 to earn a 70% interest in the GT Property, and provided 4763 elects to participate when the Primary Optionee is vested. Failure by the Issuer to participate in work programs relative to its 20% working interest and 4763's 10% working interest to the above-noted limit will result in termination of the GT Agreement.

Any gross overriding royalty ("GOR Royalty") or net smelter return royalty ("NSR Royalty") provided to 4763 by virtue of the Primary Option Agreement will be retained by 4763 in the event 4763 dilutes to a 0% working interest in the GT Property.

2. Pursuant to an Option Agreement dated January 15, 2002 between 4763 and the Issuer, the Issuer was granted an option to acquire a 20% working interest in the HK block of land claims comprising 112,558.28 acres (the "HK Property") located in the Coronation Gulf diamond district of Nunavut, Canada. In consideration therefor, the Issuer agreed to :

- (a) pay 4763 \$0.55 per acre (for a total of \$61,907), \$0.275 per acre of which was payable on signing the HK Agreement, and the balance payable within four months of receipt of regulatory approval;
- (b) issue 4763 a total of 100,000 common shares, 50,000 of which are issuable within 10 days of regulatory approval (the "First Issuance"), and the balance of 50,000 shares issuable on the first anniversary of the First Issuance, based on property work completed and supported by independent engineering reports, and subject to regulatory approval;
- (c) complete work expenditures to the amount required to be expended by the primary optionee (the "Primary Optionee"), who has entered into an agreement (the "Primary Option Agreement") with 4763 to earn a 70% interest in the HK Property, and provided 4763 elects to participate when the Primary Optionee is vested. Failure by the Issuer to participate in work programs relative to its 20% working interest and 4763's 10% working interest to the above-noted limit will result in termination of the HK Agreement.

Any GOR Royalty or NSR Royalty provided to 4763 by virtue of the Primary Option Agreement will be retained by 4763 in the event 4763 dilutes to a 0% working interest in the HK Property.

3. Pursuant to an Option Agreement dated January 15, 2002 between 4763 and the Issuer, the Issuer was granted an option to acquire a 10% working interest in the JR block of land claims comprising 132,589.74 acres (the "JR Property") located in the Coronation Gulf diamond district of Nunavut, Canada. In consideration therefor, the Issuer agreed to :

- (a) pay 4763 \$0.275 per acre (for a total of \$36,462), \$0.1375 per acre of which was payable on signing the JR Agreement, and the balance payable within four months of receipt of regulatory approval;
- (b) issue 4763 a total of 50,000 common shares, 25,000 of which are issuable within 10 days of regulatory approval (the "First Issuance"), and the balance of 25,000 shares issuable on the

first anniversary of the First Issuance, based on property work completed and supported by independent engineering reports, and subject to regulatory approval;

- (c) complete work expenditures to the amount required to be expended by the primary optionee (the "Primary Optionee"), who has entered into an agreement (the "Primary Option Agreement") with 4763 to earn an 85% interest in the JR Property, and provided 4763 elects to participate when the Primary Optionee is vested. Failure by the Issuer to participate in work programs relative to its 10% working interest and 4763's 5% working interest to the above-noted limit will result in termination of the JR Agreement.

Any GOR Royalty or NSR Royalty provided to 4763 by virtue of the Primary Option Agreement will be retained by 4763 in the event 4763 dilutes to a 0% working interest in the JR Property.

4. Pursuant to an Option Agreement dated January 15, 2002 between 4763 and the Issuer, the Issuer was granted an option to acquire a 20% working interest in the VT block of land claims comprising 115,009.27 acres (the "VT Property") located in the Coronation Gulf diamond district of Nunavut, Canada. In consideration therefor, the Issuer agreed to:

- (a) pay 4763 \$0.55 per acre (for a total of \$63,255), \$0.275 per acre of which was payable on signing the VT Agreement, and the balance payable within four months of receipt of regulatory approval;
- (b) issue 4763 a total of 100,000 common shares, 50,000 of which are issuable within 10 days of regulatory approval (the "First Issuance"), and the balance of 50,000 shares issuable on the first anniversary of the First Issuance, based on property work completed and supported by independent engineering reports, and subject to regulatory approval;
- (c) complete work expenditures in the amount required to be expended by the primary optionee (the "Primary Optionee"), who has entered into an agreement (the "Primary Option Agreement") with 4763 to earn a 70% interest in the VT Property, and provided 4763 elects to participate when the Primary Optionee is vested. Failure by the Issuer to participate in work programs relative to its 20% working interest and 4763's 10% working interest to the above-noted limit will result in termination of the VT Agreement.

Any GOR Royalty or NSR Royalty provided to 4763 by virtue of the Primary Option Agreement will be retained by 4763 in the event 4763 dilutes to a 0% working interest in the VT Property.

5. Pursuant to a Letter Agreement dated February 21, 2002, as amended March 8, 2002, between 4763 and the Issuer, the Issuer was granted an option to acquire a 100% working interest in the BH block of land claims comprising 138,000 acres (the "BH Property") located in the Coronation Gulf diamond district of Nunavut, Canada. In consideration therefor, the Issuer agreed to:

- (a) pay 4763 \$0.95 per acre (for a total of \$131,100), \$99,705 of which was payable on signing the Agreement, and 85% of the total (less \$99,705 already paid) payable on or before March 29, 2002, and the balance payable on receipt of evidence that title to the BH Property has been recorded by the Land Titles Office;

- (b) issue 4763 a total of 300,000 common shares, 50,000 of which are issuable within 10 days of regulatory approval (the "First Issuance"), and the balance of 250,000 shares issuable in three equal instalments of 50,000 shares on the first anniversary of the First Issuance, and 100,000 shares on each of the second and third anniversaries of the First Issuance, based on property work completed and supported by independent engineering reports, and subject to regulatory approval;
- (c) complete work expenditures of \$10.00 per acre, to be completed within four years of receipt of regulatory approval on a schedule mutually agreeable to both parties.

A 1% GOR Royalty/NSR Royalty and 10% net profits interest royalty ("NPI Royalty") will be retained by 4763 on the BH Property.

6. Pursuant to a Letter Agreement dated February 21, 2002, as amended March 8, 2002, between 4763 and the Issuer, the Issuer was granted an option to acquire a 100% working interest in the AG block of land claims comprising 157,003 acres (the "AG Property") located in the Coronation Gulf diamond district of Nunavut, Canada. In consideration therefor, the Issuer agreed to:
- (a) pay 4763 \$0.95 per acre (for a total of \$149,153), \$30,000 of which was payable on signing the Agreement, and 85% of the total (less the \$30,000 payable on signing) payable on or before March 29, 2002, and the balance payable on receipt of evidence that title to the AG Property has been recorded by the Land Titles Office;
  - (b) issue 4763 a total of 300,000 common shares, 50,000 of which are issuable within 10 days of regulatory approval (the "First Issuance"), and the balance of 250,000 shares issuable in three instalments consisting of 50,000 shares on the first anniversary of the First Issuance, and 100,000 shares on each of the second and third anniversaries of the First Issuance, based on property work completed and supported by independent engineering reports, and subject to regulatory approval;
  - (c) complete work expenditures of \$10.00 per acre, to be completed within four years of receipt of regulatory approval on a schedule mutually agreeable to both parties.

A 1% GOR Royalty/NSR Royalty and 10% NPI Royalty will be retained by 4763 on the AG Property.

7. Pursuant to a Letter Agreement dated February 21, 2002, as amended March 8, 2002, between 4763 and the Issuer, the Issuer was granted an option to acquire a 100% working interest in the AW block of land claims comprising 103,300 acres (the "AW Property") located in the Coronation Gulf diamond district of Nunavut, Canada. In consideration therefor, the Issuer agreed to:
- (a) pay 4763 \$0.95 per acre (for a total of \$98,135), \$30,000 of which was payable on signing the Agreement, and 85% of the total (less \$30,000 already paid) payable on or before March 29, 2002, and the balance payable on receipt of evidence that title to the AW Property has been recorded by the Land Titles Office;
  - (b) issue 4763 a total of 300,000 common shares, 50,000 of which are issuable within 10 days of regulatory approval (the "First Issuance"), and the balance of 250,000 shares issuable in three

instalments consisting of 50,000 shares on the first anniversary of the First Issuance, and 100,000 shares on each of the second and third anniversaries of the First Issuance, based on property work completed and supported by independent engineering reports, and subject to regulatory approval;

- (c) complete work expenditures of \$10.00 per acre, to be completed within four years of receipt of regulatory approval on a schedule mutually agreeable to both parties.

A 1% GOR Royalty/NSR Royalty and 10% NPI Royalty will be retained by 4763 on the AW Property.

- 8. Pursuant to a Letter Agreement dated February 21, 2002, as amended March 8, 2002 and April 17, 2002 between 4763 and the Issuer, the Issuer was granted an option to acquire a 100% working interest in the JUQ block of land claims comprising 173,876.77 acres (the "JUQ Property") located in the Coronation Gulf diamond district of Nunavut, Canada. The JUQ Property includes 27 claims known as the PA claims. In consideration therefor, the Issuer agreed to:

- (a) pay 4763 \$0.95 per acre (for a total of \$165,183), \$60,000 of which was payable on signing the Agreement, and 85% of the total (less \$60,000 already paid) payable on or before March 15, 2002, and the balance payable on receipt of evidence that title to the JUQ Property has been recorded by the Land Titles Office;
- (b) issue 4763 a total of 400,000 common shares, 100,000 of which are issuable within 10 days of regulatory approval (the "First Issuance"), and the balance of 300,000 shares issuable in three equal instalments of 100,000 shares on each of the first, second and third anniversaries of the First Issuance, based on property work completed and supported by independent engineering reports, and subject to regulatory approval;
- (c) complete work expenditures of \$10.00 per acre, to be completed within four years of receipt of regulatory approval on a schedule mutually agreeable to both parties.

A 1% GOR Royalty/NSR Royalty and 10% NPI Royalty will be retained by 4763 on the JUQ Property.

- 9. Pursuant to a Letter Agreement dated February 21, 2002, as amended March 8, 2002, between 4763 and the Issuer, the Issuer was granted an option to acquire a 100% working interest in the MARS block of land claims comprising 33,960 acres (the "MARS Property") located in the Coronation Gulf diamond district of Nunavut, Canada. In consideration therefor, the Issuer agreed to:

- (a) pay 4763 \$0.95 per acre (for a total of \$32,262), \$30,000 of which was payable on signing the Agreement, and the balance payable on receipt of evidence that title to the MARS Property has been recorded by the Land Titles Office;
- (b) issue 4763 a total of 300,000 common shares, 50,000 of which are issuable within 10 days of regulatory approval (the "First Issuance"), and the balance of 250,000 shares issuable in three instalments consisting of 50,000 shares on the first anniversary of the First Issuance, and 100,000 shares on each of the second and third anniversaries of the First Issuance, based on

property work completed and supported by independent engineering reports, and subject to regulatory approval;

- (c) complete work expenditures of \$10.00 per acre, to be completed within four years of receipt of regulatory approval on a schedule mutually agreeable to both parties.

A 1% GOR Royalty/NSR Royalty and 10% NPI Royalty will be retained by 4763 on the MARS Property.

- 10. Pursuant to a Letter Agreement dated February 21, 2002, as amended March 8, 2002, between 4763 and the Issuer, the Issuer was granted an option to acquire a 100% working interest in the WS block of land claims comprising 155,118 acres (the "WS Property") located in the Coronation Gulf diamond district of Nunavut, Canada. In consideration therefor, the Issuer agreed to:

- (a) pay 4763 \$0.95 per acre (for a total of \$147,362), \$60,000 of which was payable on signing the Agreement, and 85% of the total (less \$60,000 already paid) payable on or before March 15, 2002, and the balance payable on receipt of evidence that title to the WS Property has been recorded by the Land Titles Office;
- (b) issue 4763 a total of 400,000 common shares, 100,000 of which are issuable within 10 days of regulatory approval (the "First Issuance"), and the balance of 300,000 shares issuable in three equal instalments of 100,000 shares on each of the first, second and third anniversaries of the First Issuance, based on property work completed and supported by independent engineering reports, and subject to regulatory approval;
- (c) complete work expenditures of \$10.00 per acre, to be completed within four years of receipt of regulatory approval on a schedule mutually agreeable to both parties.

A 1% GOR Royalty/NSR Royalty and 10% NPI Royalty will be retained by 4763 on the WS Property.

- 11. Pursuant to a Letter Agreement dated February 21, 2002, as amended March 8, 2002, between 4763 and the Issuer, the Issuer was granted an option to acquire a 100% working interest in the TE block of land claims comprising 144,292 acres (the "TE Property") located in the Coronation Gulf diamond district of Nunavut, Canada. In consideration therefor, the Issuer agreed to:

- (a) pay 4763 \$0.95 per acre (for a total of \$137,077), \$30,000 of which was payable on signing the Agreement, and 85% of the total (less \$30,000 already paid) payable on or before March 29, 2002, and the balance payable on receipt of evidence that title to the TE Property has been recorded by the Land Titles Office;
- (b) issue 4763 of a total of 300,000 common shares, 50,000 of which are issuable within 10 days of regulatory approval (the "First Issuance"), and the balance of 250,000 shares issuable in three instalments consisting of 50,000 shares on the first anniversary of the First Issuance, and 100,000 shares on each of the second and third anniversaries of the First Issuance, based on property work completed and supported by independent engineering reports, and subject to regulatory approval;

- (c) complete work expenditures of \$10.00 per acre, to be completed within four years of receipt of regulatory approval on a schedule mutually agreeable to both parties.

A 1% GOR Royalty/NSR Royalty and 10% NPI Royalty will be retained by 4763 on the TE Property.

12. Pursuant to an Option Agreement dated March 13, 2002 (the "Option Agreement") among Allyn Resources Inc. ("Allyn"), 4763 (together, the "Optionors") and the Issuer, the Optionors granted the Issuer the right to enter upon and explore, develop and mine certain mining claims located in Nunavut comprising approximately 307,309 acres (the "ALS/ALN Properties"), and if the Issuer elects it may acquire up to 100% of the Optionors' interests in the ALS/ALN Properties.

Allyn, 4763 and Aurora Geosciences Ltd. ("Aurora") (Allyn, 4763 and Aurora, collectively, the "Optionors") entered into an agreement (the "Nunavut Agreement") dated February 13, 2002 pursuant to which the Optionors agreed that their interests in the ALS/ALN Properties would be held by Allyn as to a 70% undivided interest and 4763 and Aurora as to a 30% undivided interest and, subsequently, Aurora transferred any legal and beneficial interests it had in the claims comprising the ALS/ALN Properties to 4763.

Pursuant to the Option Agreement, the Optionors granted the Issuer the exclusive right and option to acquire an undivided 30% right, title and interest in and to the ALS/ALN Properties in consideration of the following:

- (a) within ten business days of receipt of acceptance from TSX Venture (the "Approval Date"), the issuance to the Optionors of an aggregate of 1,600,000 common shares of the Issuer at a deemed issue price of \$0.25 per share as follows:
  - (i) 1,120,000 common shares to Allyn;
  - (ii) 480,000 common shares to 4763; and
- (b) on or before the first year anniversary of the Approval Date, the incurrence and payment of Property Expenditures having a value under section 38(2) of the *Canada Mining Regulations* of \$2.00 for each acre comprising the ALS/ALN Properties (total \$614,618), the filing of a statement of such representation work with the Mining Recorder under section 41 of the *Canada Mining Regulations*, the receipt from the Mining Recorder of a certificate of acceptance of such work and the delivery to the Optionors of a copy of such statement and certificate together with evidence to the reasonable satisfaction of the Optionors that such expenditures have been paid.

Upon making the share issuances and Property Expenditures as specified above, the Issuer will have earned and acquired an undivided 30% right, title and interest in and to the ALS/ALN Properties.

Upon earning a 30% interest in the ALS/ALN Properties in accordance with the foregoing, the Issuer will have the exclusive right and option to acquire a further undivided 70% right, title and interest by issuing an aggregate of 1,700,000 common shares at a deemed price of \$0.25 per share as follows:

- (a) 850,000 shares on or before the first year anniversary of the Approval Date to the Optionors as follows:

- (i) 595,000 common shares to Allyn; and
  - (ii) 255,000 common shares to 4763; and
- (b) 850,000 shares on or before the second year anniversary of the Approval Date to the Optionor as follows:
- (i) 595,000 common shares to Allyn; and
  - (ii) 255,000 common shares to 4763.

Upon making the share issuances as specified above, the Issuer will have earned and acquired an undivided 100% right, title and interest in and to the ALS/ALN Properties.

If the Issuer does not exercise its option to acquire an additional 70% undivided interest in the ALS/ALN Properties by March 14, 2004, then:

- (a) the Nunavut Agreement will terminate and be of no further force and effect; and
- (b) the Optionors and the Issuer agree to join and participate in a single purpose joint venture (the "Joint Venture") for the purpose of further exploring and developing and, if economically and politically feasible, constructing and operating a mine on the ALS/ALN Properties.

If the Issuer acquires a 100% interest in the ALS/ALN Properties then:

- (a) the Nunavut Agreement will terminate and be of no further force and effect;
- (b) the Issuer will pay 4763 a 2.5% GOR Royalty and a 2.5% NSR Royalty; and
- (c) the Issuer will have the option to purchase from 4763 at any time 50% of the 2.5% GOR Royalty and 50% of the 2.5% NSR Royalty by payment of the sum of \$2,500,000 to 4763.

## **Dispositions**

### **Option of 60% Interest in six properties to Ashton Mining (Northwest Territories) Ltd.**

As disclosed above, the Issuer was previously granted options to acquire a 100% interest in each of the BH, AG, AW, JUQ, TE and WS Properties (individually, a "Property"; collectively, the "Properties") from 4763 pursuant to agreements dated February 21, 2002, as amended March 8, 2002 (the "4763 Agreements").

Pursuant to six separate Option and Joint Venture Agreements dated May 17, 2002 (the "Ashton Agreements") between the Issuer and Ashton Mining (Northwest Territories) Ltd. ("Ashton"), one for each of the BH, AG, AW, JUQ, TE and WS Properties, the Issuer has granted six separate options (the "Options") to Ashton to acquire up to a 60% beneficial interest in and to each of the Properties. Note that the May 17, 2002

Option and Joint Venture Agreement governing the BH Property replaces the Option and Joint Venture Agreement dated March 12, 2002 regarding the BH Property.

Under the terms of the Ashton Agreements, the Issuer agreed to fund a Phase I aggregate exploration program on each of the Properties that Ashton was to conduct during the 2002 exploration season. Upon completion of Phase I on any one of the six Properties, Ashton will have the option to earn a 60% working interest in that Property by spending up to an aggregate maximum amount of \$8,713,000 (being \$1,370,000 for the BH Property, \$1,570,000 on the AG Property, \$1,033,000 on the AW Property, \$1,739,000 on the JUQ Property, \$1,450,000 on the TE Property and \$1,551,000 on the WS Property) not later than April 30, 2006, it being understood that:

- (a) the BH Property includes 55 mineral claims that 4763 subsequently applied for that are located in the vicinity of the Coronation Gulf district, Nunavut (the "BH Pending Claims");
  - (b) the AG Property includes 64 mineral claims that 4763 subsequently applied for that are located in the vicinity of the Coronation Gulf district, Nunavut (the "AG Pending Claims");
  - (c) the AW Property includes 40 mineral claims that 4763 subsequently applied for that are located in the vicinity of the Coronation Gulf district, Nunavut (the "AW Pending Claims");
  - (d) the JUQ Property includes 74 mineral claims that 4763 subsequently applied for that are located in the vicinity of the Coronation Gulf district, Nunavut (the "JUQ Pending Claims");
  - (e) the WS Property includes 70 mineral claims that 4763 subsequently applied for that are located in the vicinity of the Coronation Gulf district, Nunavut (the "WS Pending Claims");
  - (f) the TE Property includes 73 mineral claims that 4763 subsequently applied for that are located in the vicinity of the Coronation Gulf district, Nunavut (the "TE Pending Claims");
- (the BH, AG, AW, JUQ, WS and TE Pending Claims are hereinafter collectively referred to as the "Pending Claims");
- (g) on or before November 30, 2002 (the "Due Diligence Payment Period"), the Issuer was to fund the initial Expenditures on each of the Properties as follows:
    - (i) with respect to the BH Property, not less than \$79,000 and not greater than \$118,000 determined by the Issuer;
    - (ii) with respect to the AG Property, not less than \$90,000 and not greater than \$135,000 determined by the Issuer;
    - (iii) with respect to the AW Property, not less than \$59,000 and not greater than \$89,000 determined by the Issuer;
    - (iv) with respect to the JUQ Property, not less than \$100,000 and not greater than \$149,000 determined by the Issuer;

- (v) with respect to the WS Property, not less than \$89,000 and not greater than \$134,000 determined by the Issuer;
- (vi) with respect to the TE Property, not less than \$83,000 and not greater than \$125,000 determined by the Issuer;

(individually the "Due Diligence Expenditures");

- (h) Ashton was to undertake the Operations (as defined in the Ashton Agreements) comprising the Due Diligence Expenditures on or before April 30, 2003. For greater certainty, the Due Diligence Expenditures will be funded entirely by the Issuer as follows:
  - (i) 40% of the Due Diligence Expenditures on any particular Property was to be advanced to Ashton on or before June 15, 2002;
  - (ii) another 40% of the Due Diligence Expenditures on any particular Property was to be advanced to Ashton on or before July 15, 2002;
  - (iii) the balance on any particular Property was to be advanced to Ashton on or before November 30, 2002;
- (i) in order to maintain its right to exercise the Options, Ashton must:
  - (i) undertake on the Issuer's behalf the Operations comprising the Due Diligence Expenditure on any particular Property on or before April 30, 2003;
  - (ii) prior to or within 60 days of completing the Due Diligence Expenditure on any particular Property, elect by notice in writing to the Issuer not to terminate the Options;
  - (iii) not later than April 30, 2006, solely fund Expenditures on any particular Property as follows:
    - (A) with respect to the BH Property, Expenditures aggregating to a cumulative total of \$1,370,000 minus the Due Diligence Expenditures pertaining to the BH Property;
    - (B) with respect to the AG Property, Expenditures aggregating to a cumulative total of \$1,570,000 minus the Due Diligence Expenditures pertaining to the AG Property;
    - (C) with respect to the AW Property, Expenditures aggregating to a cumulative total of \$1,033,000 minus the Due Diligence Expenditures pertaining to the AW Property;
    - (D) with respect to the JUQ Property, Expenditures aggregating to a cumulative total of \$1,739,000 minus the Due Diligence Expenditures pertaining to the JUQ Property;
    - (E) with respect to the WS Property, Expenditures aggregating to a cumulative total of \$1,551,000 minus the Due Diligence Expenditures pertaining to the WS Property;
    - (F) with respect to the TE Property, Expenditures aggregating to a cumulative total of \$1,450,000 minus the Due Diligence Expenditures pertaining to the TE Property;

- (iv) until the Options are exercised or terminated in accordance with the Ashton Agreements, during each 12-month period commencing on May 1 of each of 2003, 2004 and 2005, incur not less than the amount calculated by multiplying \$1.00 by the number of acres held from time to time as claims in good standing;

provided that the cumulative total Expenditures required to be funded by Ashton will be reduced by \$10.00 per acre of each Pending Claim that is not registered in the name of Ashton (or registered in the name of 4763 and subsequently transferred to the Issuer or Ashton) in accordance with the Federal Mining Regulations. If Ashton completes the Due Diligence Expenditures and incurs and funds additional Expenditures on or before its election not to terminate the Options, such Expenditures will be carried forward as a credit toward the cumulative total Expenditures of \$8,713,000 to be completed by Ashton on or before April 30, 2006.

In addition, to maintain its right to exercise the Options, Ashton is required to pay \$75,000 cash for each of the six Ashton Agreements (totalling \$450,000) to the Issuer on or before April 30, 2006.

Assuming any of the Options are exercised, then the terms of the respective joint ventures provide that Ashton shall pay for 100% of the initial Exploration Costs incurred (as defined in the joint venture agreements) in an amount equal to the Due Diligence Expenditures (as defined in the Ashton Agreements and funded by the Issuer pursuant to the Ashton Agreements) incurred without any adjustment to the interests of the parties.

Pursuant to the Ashton Agreements, the Issuer also granted Ashton the sole and exclusive irrevocable option, exercisable at any time during the term of the Ashton Agreements and for 30 days following termination of the same, that if the Issuer defaults on any payment required to be made by it in accordance with the provisions of the 7463 Agreements, whether in cash or shares, to be assigned all of the Issuer's rights and obligations under the respective 4763 Agreement, and the Issuer will cease to have any rights and obligations with respect to the Property that is the subject of that particular 4763 Agreement.

The Issuer further agreed that its failure to make payments to Ashton for the Due Diligence Expenditures within the Due Diligence Payment Period will give Ashton the right to:

- (a) terminate that particular Ashton Agreement in accordance with the provisions set out therein;
- (b) if the default is with respect to the payment of 40% of the Due Diligence Expenditures on or before June 15, 2002, defer all rights and obligations of Ashton and the Issuer under that Ashton Agreement by one full year or such shorter time period to be determined at Ashton's sole discretion;
- (c) if the Issuer meets the above 40% Due Diligence Expenditure on or before June 15, 2002 but defaults with respect to the additional 40% Due Diligence Expenditure required on or before July 15, 2002 or the balance required on or before November 30, 2002, fund the remaining Due Diligence Expenditures and increase the beneficial interest in the respective Property that Ashton will earn from the Issuer upon exercise of the Ashton Option from a 60% undivided interest to a 70% undivided interest, with all other terms and conditions of that particular Ashton Option remaining unchanged; or
- (d) if Ashton has elected to defer the parties' rights and obligations for one full year as aforementioned, subsequent to that, in the second year, the Issuer defaults on any of the payments to Ashton for the Due Diligence Expenditures within the Due Diligence Payment Period, fund the Due Diligence

Expenditures and increase the beneficial interest in that particular Property that Ashton will earn from the Issuer upon exercise of the Ashton Option from a 60% undivided interest to a 75% undivided interest, with all other terms and conditions of the Ashton Option remaining unchanged.

Upon earning a 60% interest in a Property, Ashton will carry the Issuer for a further aggregate maximum amount of \$750,000 of exploration expenditures under the terms of the relative joint venture agreements (being equal to the Due Diligence Expenditures that were initially funded by the Issuer) as follows:

- (a) a maximum of \$118,000 for the BH Property;
- (b) a maximum of \$135,000 for the AG Property;
- (c) a maximum \$89,000 for the AW Property;
- (d) a maximum \$149,000 for the JUQ Property;
- (e) a maximum \$125,000 for the TE Property;
- (f) a maximum \$134,000 for the WS Property.

The Ashton Agreements are subject to a 1% GOR Royalty on diamonds extracted from the Properties, a 10% NPI Royalty, and a 1% NSR Royalty on base metals and gold extracted from the Properties, which royalties remain payable to 4763 pursuant to the 4763 Agreements.

As indicated above, the Issuer, due to a lack of financial resources, returned its interests in the AG, JUQ, MARS, TE and WS properties, aggregating approximately 604,000 acres, to the vendors of these properties as agreed on August 29, 2002. This resulted in the termination of the Ashton Agreements relative to the AG, JUQ, TE and WS properties. The provisions of the Ashton Agreements provided that if the Issuer defaulted with respect to payment of the Due Diligence Expenditures on or before June 15, 2002 that Ashton could defer rights and obligations of Ashton and the Issuer under the Ashton Agreements by one full year or such shorter time period to be determined at Ashton's sole discretion. This provision was invoked for the Ashton Agreements relative to the BH and AW properties.

#### ALS and ALN Properties

As announced on October 2, 2002, the Issuer would not be proceeding further with its option to acquire any part or all of the ALS and ALN properties, comprising 307,309 acres, due to a lack of financial resources.

#### ***Trends***

There are no known trends, commitments, events or uncertainties at this time that are presently known to management or reasonably expected to have a material effect on the Issuer's business, financial conditions or results of operations.

#### ***Risk Factors***

The following risk factors apply to the Issuer:

*Risk of Mineral Exploration.* Exploration for diamonds is speculative in nature, involves many risks and is frequently unsuccessful. Any diamond exploration program entails risks relating to the location of economic ore bodies, development of appropriate metallurgical processes, receipt of necessary government approvals

and contraction of mining and processing facilities at any site chosen for mining. The commercial viability of a mineral deposit is dependent on a number of factors including the price of diamonds, exchange rates, the particular attributes of the deposit, such as its size, grade and proximity to infrastructure, as well as other factors including financing costs, taxation, royalties, land tenure, land use, water use, power use, importing and exporting diamonds and environmental protection. The effect of these factors cannot be accurately predicted.

All of the resource properties in which the Issuer has options to acquire an interest are in the exploration stages only and are without reserves of diamonds or other minerals. There can be no assurance that the current or proposed exploration or development programs on properties in which the Issuer has options to earn an interest will result in the discovery of economic mineralization or will result in the profitable commercial mining operation.

*Diamond Prices.* The Issuer does not own any diamond-producing assets. The profitability of any diamond mining operations in which the Issuer has an interest will be significantly affected by changes in the market price of diamonds. Diamond prices fluctuate on a daily basis and are affected by numerous factors beyond the Issuer's control. The level of interest rates, the rate of inflation, central bank sales, world supply of diamonds and stability of exchange rates, among other factors, can cause significant fluctuations in diamond prices. Such external factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of diamonds has historically fluctuated widely and, depending on the price of diamonds, revenues from mining operations may not be sufficient to offset the cost of such operations.

*Uncertainty of Funding.* The Issuer's current operations do not generate any positive cash flow and it is not anticipated that any positive cash flows will be generated in the foreseeable future. The Issuer has limited financial resources and the mining claims in which the Issuer has options to acquire an interest require financial expenditures to be made by the Issuer. There can be no assurance that adequate funding will be available to the Issuer so as to exercise its options or to maintain its interests once those options have been exercised.

Further exploration and development of the various mineral properties in which the Issuer hold options depends upon the Issuer's ability to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. Failure to obtain additional financing on a timely basis could cause the Issuer to forfeit all or parts of its interests in some or all of those mineral properties or joint ventures and reduce or terminate its operations.

*Competition.* Aggressive competition exists for mining opportunities. There are a number of large established mining companies with substantial capabilities and greater financial and technical resources than the Issuer and the Issuer may be unable to acquire additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Issuer's exploration and acquisition programs will yield any reserves or result in any commercial mining operation.

*Factors May Detrimentially Affect the Markets for Metals.* Resource exploration and development is a speculative business and involves a high degree of risk. The marketability of natural resources which may be acquired or discovered by the Issuer will be affected by numerous factors beyond the control of the Issuer. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, supply and demand, inflation, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental

protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Issuer not receiving an adequate return on invested capital.

*Uninsurable Risks.* In the course of exploration and development of, and production from, mineral resource properties, certain risks may occur and may expose the Issuer to liabilities. Should such liabilities arise the payment of such liabilities may have a material, adverse effect on the Issuer's financial position. It is not always possible to fully insure against such risks or the Issuer may elect not to cover such risks because of the high cost of such insurance. The Issuer may become subject to liability for pollution or hazards. Payment of liabilities for claims for such occurrences could reduce or eliminate any future profitability and could result in increasing costs and a decline in the value of the securities of the Issuer.

*Failure to Comply With Laws.* Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violations of applicable laws or regulations.

*Uncertainty of Ownership Right of Resource Properties.* There is no assurance of title to any property interests acquired by the Issuer and such property interests may be subject to prior unregistered agreements or transfers or other land claims, undisclosed compliance failure by prior owners or deficiencies in registration or renewals, and title may be affected by defects, misinterpretation and adverse laws and regulations which have not been identified by the Issuer.

*Permits and Licenses.* The operations of the Issuer require licenses and permits from various governmental authorities. While the Issuer currently has been granted all requisite licenses and permits to enable it to carry on its existing business and operations, there can be no assurance that the Issuer will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations for its projects.

*Failure To Make Property Payments.* The failure of the Issuer to pay all property payments on the Issuer's properties as such payments become due, could cause the Issuer to lose all of its interests therein.

*Environmental Regulations.* The Issuer's operations are subject to environmental regulations, which are subject to change, promulgated by government agencies governing prospecting, mining, production, taxes, waste disposal, toxic substances and operation of mines. Failure to comply with such environmental regulations may result in enforcement action being taken against the Issuer including orders to cease operations, and/or corrective measures requiring capital expenditures and delay. The Issuer may be required to compensate those suffering loss or damage as a result of any such failure to comply.

*Potential Conflicts of Interest.* The directors and officers of the Issuer may serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Issuer is also participating, such directors and officers of the Issuer may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia require the directors and officers to act honestly, in good faith, and in the best interests of the Issuer and its shareholders. However, in conflict of interest situations, directors and officers of the Issuer may owe the same duty to another company and will need to balance the competing

obligations and liabilities of their actions. There is no assurance that the needs of the Issuer will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger programs; (ii) acquire an interest in a greater number of programs; and (iii) reduce their financial exposure with respect to any one program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Issuer will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors of the Issuer will primarily consider the degree of risk to which the Issuer may be exposed and its financial position at the time.

*Indemnity and Protection of Directors and Officers.* Section 7 of the Issuer's By-Law No.1 states in part that:

“The Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor... against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment . . .”

Thus, the Issuer may be required to pay amounts to settle any such claims that may arise. The impact of any such possible future indemnity protection cannot be determined at this time.

*No Dividends.* The Issuer has not paid any cash dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. However, on December 31, 1999 the Issuer distributed a dividend in specie of shares in its former wholly-owned subsidiary, Swica Resource Corp. (“Swica”) on the basis of one common shares of Swica for every one common share issued and outstanding in the capital stock of the Issuer.

### ***Litigation***

There are no claims currently outstanding against the Issuer.

## **ITEM 4: NARRATIVE DESCRIPTION OF THE BUSINESS**

The following is a narrative description of mineral projects that are material to the Issuer:

The Issuer is a junior resource company engaged in the acquisition, exploration and, if warranted, development of natural mineral resource properties. It currently holds options to acquire the following exploration stage diamond property interests, each of which is located in the Coronation Gulf District, Nunavut, Canada:

- 100% working interest in certain mineral claims comprising 138,000 acres; (the “BH Property”), subject to an option subsequently granted by the Issuer to Ashton Mining (Northwest Territories) Ltd. (“Ashton”) to earn a 60% interest in the BH Property;
- 20% working interest in the GT block of land claims comprising 127,179.34 acres (the “GT Property”);

- 20% working interest in the HK block of land claims comprising 112,558.28 acres (the "HK Property");
- 10% working interest in the JR block of land claims comprising 132,589.74 acres (the "JR Property");
- 20% working interest in the VT block of land claims comprising 115,009.27 acres (the "VT Property");
- 100% working interest in the AW block of land claims comprising 103,300 acres (the "AW Property"), subject to an option subsequently granted by the Issuer to Ashton to earn a 60% interest in the AW Property;

**Refer to the heading "Significant Acquisitions and Dispositions" above for particulars regarding the acquisition and/or disposition of the above properties.**

#### ***BH Property***

For geological particulars regarding the BH Property, reference is made to a Report entitled "An Evaluation of the BH Mineral Claim Property" dated January 10, 2002, and Addendums thereto dated March 22, 2002 and May 31, 2002, as prepared by Robert F. Brown, P.Eng. (the "BH Report"), all of which documents are incorporated by reference to this AIF.

A two phase exploration work program totalling \$787,500 is recommended in the BH Report, with the second phase contingent on the successful completion of the first phase. First phase costs are estimated at \$117,300, and second phase costs are estimated at \$670,200. Refer to the BH Report for further particulars.

Refer to the heading "Significant Acquisitions and Dispositions" above for particulars of Ashton's option to acquire up to a 60% undivided working interest in the BH Property.

#### ***GT, HK, VT and JR Properties***

For geological particulars regarding the GT, HK, VT and JR Properties, reference is made to a Report entitled "An Evaluation of the GT, ALS-1, ALS-2, ALS-3, TH, VT, JR and HK ("Eight") Mineral Claims Properties" dated January 22, 2002, as prepared by Robert F. Brown, P.Eng. (the "Initial NWT Properties Report"), which is incorporated by reference to this AIF. Please note that the Issuer has determined not to proceed with the ALS-1, ALS-2 and ALS-3 properties and that the relative information contained in the Initial NWT Properties Report may be disregarded. The TH Property that is included in the Initial NWT Properties Report was anticipated to have been acquired by the Issuer, but to date has not been acquired.

A work program totalling \$16,000 is recommended in the Initial NWT Properties Report, based on the fact that there are third parties involved in the GT, HK, VT and JR Properties. Refer to the Initial NWT Properties Report for further particulars.

#### ***AW Property***

For geological particulars regarding the AW Property, reference is made to a Report entitled "An Evaluation of the AW Mineral Claims Property" dated May 31, 2002, as prepared by Robert F. Brown, P.Eng. (the "AW Report"), which is incorporated by reference to this AIF.

A two phase work program totalling \$800,450 is recommended in the AW Report, with the second phase contingent on success of the first phase. First phase costs are estimated at \$88,950, and second phase costs are estimated at \$711,500. Refer to the AW Report for further particulars.

Refer to the heading "Significant Acquisitions and Dispositions" above for particulars of Ashton's option to acquire up to a 60% undivided working interest in the AW Property.

Subject to closing, the private placement of flow-through shares negotiated by the Issuer on June 19, 2003 will provide sufficient funding to enable Ashton to undertake the Due Diligence Expenditures on the BH and AW Properties during 2003.

## ITEM 5: SELECTED FINANCIAL INFORMATION

### *Last Three Financial Years*

The following table sets forth selected audited financial information of the Issuer for the last three completed financial years:

	Fiscal Year Ended December 31		
	2002 (\$)	2001 (\$)	2000 (\$)
Total Revenues	Nil	Nil	Nil
Profit (Loss)	(520,877)	(41,259)	(239,444)
Profit (Loss) per Share	(0.03)	(0.00)	(0.02)
Net Earnings (Loss)	(520,877)	(41,259)	(239,444)
Net Earnings (Loss) per Share	(0.03)	(0.00)	(0.02)
Net Earnings (Loss) per Share (fully diluted)	(0.03)	(0.00)	(0.02)
Total Assets	537,506	136,764	44,353
Dividend per Share	Nil	Nil	Nil
Total Long Term Debt	30,901	22,200	22,200

Reference should be made to the financial statements of the Issuer for the fiscal year ended December 31, 2002, together with the auditor's report thereon incorporated by reference to this AIF.

### *Eight Quarters Preceding Most Recently Completed Financial Year*

The following table sets forth selected unaudited financial information prepared by management of the Issuer for the eight quarters immediately preceding December 31, 2002:

	Year Ending December 31, 2002				Year Ending December 31, 2001			
	31/12/02 (audited) \$	30/09/02 \$	30/06/02 \$	31/03/02 \$	31/12/01 (audited) \$	30/09/01 \$	30/06/01 \$	31/03/01 \$
Total Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit (Loss)	(148,679)	(102,586)	(146,280)	(123,332)	(10,659)	(9,022)	(10,502)	(11,076)
Profit (Loss) per Share	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)
Net Earnings (Loss)	(148,679)	(102,586)	(146,280)	(123,332)	(10,659)	(9,022)	(10,502)	(11,076)
Net Earnings (Loss) per Share	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)

### ***Dividends***

The Issuer has not paid any cash dividends on its common shares and has no present intention of doing so, as it anticipates that all available funds will be utilized to finance exploration, development and future investment opportunities. On December 23, 1998 the Issuer distributed a dividend in specie of shares in its former wholly-owned subsidiary, Swica Resource Corp. ("Swica") on the basis of one common share of Swica for every one common share issued and outstanding in the capital stock of the Issuer (total 8,396,000 common shares of Swica), as noted in the Issuer's audited financial statements for the year ended December 31, 1999.

### **ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion should be read in conjunction with the Issuer's audited financial statements and related notes thereto of the Issuer which are incorporated by reference to this AIF.

#### ***Capital Resources and Liquidity***

To date, virtually all funding for the Issuer's acquisitions of and expenditures on resource properties and ongoing operations has come from common share issuances.

During the fiscal year ended December 31, 2000, a total of 1,256,000 common shares were issued pursuant to private placement offerings, for total gross proceeds of \$596,000. Of these proceeds, \$550,000 was received in the year ended December 31, 1999 and \$46,000 was received in the year ended December 31, 2000.

On December 31, 2000, 1,593,394 common shares were issued pursuant to conversion of convertible debenture, as disclosed in the Issuer's December 31, 2000 audited financial statements.

During the fiscal year ended December 31, 2001, no securities were issued.

During the fiscal year ended December 31, 2002, a total of 3,825,000 common shares were issued pursuant to private placement offerings, for total gross proceeds of \$615,000; and 903,720 common shares were issued to settle outstanding debts in the aggregate amount of \$107,072.

As of the date of this AIF, the Issuer had incentive stock options outstanding that, if fully exercised, would net the Issuer \$165,800, and warrants outstanding that, if fully exercised, would net the Issuer \$412,500.

The Issuer is in the exploration stage on its mineral properties and has no regular cash flow. The Issuer is, therefore, dependent on generating income from mining operations or raising funds by the issuance of shares in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the medium and long-term. There can be no assurance that the Issuer will be successful in raising the required financing.

#### Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

During the fiscal year ended December 31, 2002, the Issuer: (a) expended \$464,705 on acquisition of mineral properties, as compared to \$60,000 in fiscal 2001; (b) expended \$16,799 on exploration and development of mineral properties, as compared to \$2,200 in fiscal 2001; (c) wrote off \$10,050 of deferred exploration expenses, as compared to nil in fiscal 2001; (d) had a deficit of \$3,679,140, as compared to \$3,145,743 in fiscal 2001; and (e) had a working capital deficiency of \$466,363, as compared to \$138,035 in fiscal 2001.

#### Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

During the fiscal year ended December 31, 2001, the Issuer: (a) expended \$60,000 on acquisition of mineral properties, as compared to \$2,649 in fiscal 2000; (b) expended \$2,200 on exploration and development of its mineral properties, as compared to \$122,944 in fiscal 2000; (c) did not write off any mineral properties, as compared to \$294,739 in fiscal 2000; (d) had a deficit of \$3,145,743, as compared to \$3,104,484 in fiscal 2000; and (e) had a working capital deficiency of \$138,035, as compared to \$134,576 in fiscal 2000.

**For further information, refer to the Issuer's audited financial statements for the year ended December 31, 2002 and notes thereto, which are incorporated by reference to this AIF.**

#### **ITEM 7: MARKET FOR SECURITIES**

The Issuer's common shares trade on the TSX Venture Exchange under the trading symbol "YGU".

#### **ITEM 8: DIRECTORS AND OFFICERS**

As of the date of this AIF, the name, municipality of residence, position with, and principal business or occupation in which each director, officer and executive officer of the Issuer has been engaged during the immediately preceding five years is as follows:

Name and Municipality of Residence	Position	Occupation for the Past 5 Years
<b>RICHARD W. WARKE</b> West Vancouver, B.C. <i>Director since February 1996</i>	C.E.O., President and Director	President and Director of the Issuer; President and Director of CyberCom Systems Inc. and Sargold Resource Corporation; Director of Swica Resource Corp.
<b>PURNI PARIKH</b> Burnaby, B.C.	Secretary	Corporate Secretary and Office Administrator for the Issuer and several other public companies.
<b>DONALD B. CLARK</b> Richmond, B.C. <i>Director since February 1996</i>	C.F.O. and Director	Director of the Issuer, CyberCom Systems Inc. and Sargold Resource Corporation; President and Director of Swica Resource Corp.
<b>ROBERT P. WARES</b> Montreal, Quebec <i>Director since April 1999</i>	Director	Geologist ; President of Osisko Exploration Ltee.; Director of Sargold Resource Corporation.
<b>MICHAEL A. STEEVES</b> Delta, B.C. <i>Director since June 1999</i>	Director	Vice President, Investor Relations for Glamis Gold Ltd. and previously Director of Investor Relations for Coeur d'Alene Mines Corporation.
<b>CHRIS JENNINGS</b> Puslinch, Ontario <i>Director since April 2002</i>	Director	Chairman of SouthernEra Resources Limited.
<b>ROBERT HINDSON</b> Vancouver, B.C. <i>Director since January 2002</i>	Director	President and Chief Executive Officer of Far West Mining Ltd.

The term of office for the Issuer's directors, officers and members of the audit committee expires at each annual general meeting. The board of directors after each annual general meeting appoints the Issuer's officers and audit committee for the ensuing year. The Issuer's audit committee is currently comprised of Donald B. Clark, Robert P. Wares and Robert Hindson.

As the date of this AIF, the Issuer's directors and senior officers, as a group, held a total of 989,199 common shares, representing 16.18% of the 6,114,064 common shares of the Issuer issued and outstanding as at that date.

#### ***Corporate Cease Trade Orders or Bankruptcies***

None of the directors, officers or promoters of the Issuer are, or have been within the past ten (10) years, a director, officer or promoter of other reporting companies which, during such individual's tenure, was the subject of a cease trade or similar order that denied that issuer access to any statutory exemptions for a period exceeding thirty (30) consecutive dates, other than Richard Warke and Donald Clark with respect to the following matter:

- Cybercom Systems Inc. ("Cybercom) was issued a cease trade order on October 23, 2002 for failure to file audited financial statements for the fiscal year ended January 31, 2002. The

order remains in effect. CyberCom has insufficient financial resources to complete the 2002 audit and this status also applies to the financial statements for the fiscal year ended January 31, 2003. Donald B. Clark has been a director of CyberCom since February 1991 and Richard Warke has been a director of CyberCom since December 1, 1989.

None of the directors, officers or promoters are, or have been within the past ten (10) years, directors, officers or promoters of other issuers which were declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with any creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that issuer, other than Richard Warke and Donald Clark with respect to the following matters:

- 2973090 Canada Inc., a Quebec based company, filed a motion with the Quebec Court dated August 18, 1997 to petition Augusta Metals Incorporated (now known as CyberCom Systems Inc.) into bankruptcy. The case was heard November 5, 1997. The Court rendered judgment January 19, 1998, dismissing the plaintiff's petition motion with costs; and
- West Coast Forest Product Ltd.'s ("WCFP") 58% owned subsidiary, West Coast Plywood Company Ltd. ("Plywood"), made a voluntary assignment in bankruptcy on July 27, 1995 due to recurring losses. Donald Clark was C.E.O. and a director of Plywood from August 15, 1994 to July 27, 1995, was Vice-President, Finance of WCFP from August 15, 1994 to July 31, 1995, and was a director from May 1993 to June 19, 1995. Richard Warke was an officer and a director of Plywood from June 4, 1993 until July 27, 1995, was President and a director of WCFP from 1989 to June 19, 1995, and was C.E.O. of WCFP until August 3, 1995. Since July 27, 1995, all matters with respect to the bankruptcy of Plywood have been the responsibility of the trustee, Coopers & Lybrand Limited.

### ***Penalties or Sanctions***

None of the directors, officers or promoters of the Issuer or shareholders holding more than 20% of the issued and outstanding shares of the Issuer have:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### ***Personal Bankruptcies***

None of the directors, officers or promoters of the Issuer, or shareholders holding 20% or more of the issued and outstanding shares of the Issuer have, within the past ten (10) years, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that issuer.

### ***Conflicts of Interest***

Insofar as certain directors of the Issuer also serve as director of other companies, it is possible that certain opportunities may be offered to both the Issuer and to such other companies, and further that those other companies may participate in the same opportunities in which the Issuer has an interest.

In exercising their powers and performing their functions, the directors are required to act honestly and in good faith and in the best interests of the Issuer, and to exercise the care, due diligence and skill of a reasonably prudent person.

Every director who is, in any way, directly or indirectly interested in a proposed contract or transaction with the Issuer, must disclose the nature and extent of his interest at a meeting of the directors. Every such director must account to the Issuer for any profit made as a consequence of the Issuer entering into or performing the proposed contract or transaction, unless he discloses his interest, and after his disclosure, the proposed contract or transaction is approved by the directors and he abstains from voting on the approval of the proposed contract or transaction.

#### **ITEM 9: ADDITIONAL INFORMATION**

Upon request made by any person to the Secretary of the Issuer, the Issuer shall provide to that person the following:

- (a) when the securities of the Issuer are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:
  - (i) one copy of this AIF and if specifically requested, one copy of any document or the pertinent pages of such documents incorporated by reference herein;
  - (ii) one copy of the Issuer's comparative financial statements for its most recently completed financial year ending December 31, 2001, together with the accompanying report of the auditor and one copy of any interim financial statements of the Issuer subsequent to the financial statements for the most recently completed financial year;
  - (iii) one copy of the Information Circular of the Issuer in respect of its most recent annual meeting of the shareholders that involved the election of directors; and
  - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or short form prospectus;
- (b) at any other time, the Issuer may require the payment of a reasonable charge for the documents set out in (i), (ii), (iii) and (iv) above, if the request is made by a person who is not a security holder of the Issuer.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Issuer's securities, options to purchase securities and interests of insiders in material transactions, is contained in the Information Circular for any annual general meeting of the Issuer's shareholders that involves the election of directors. Furthermore, additional financial information is provided in the comparative audited financial statements for the Issuer's most recently completed fiscal year ending December 31, 2002.