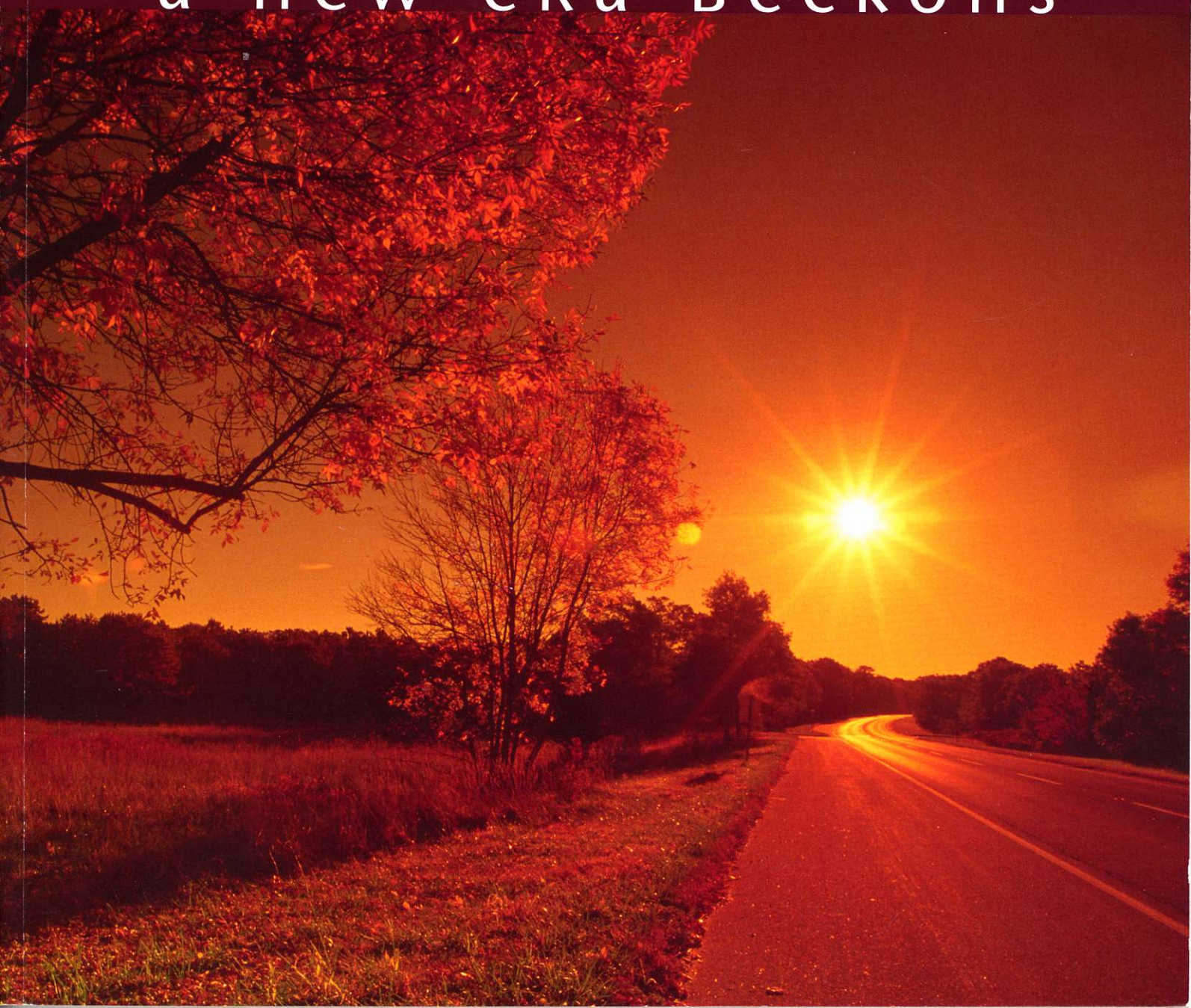


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INTERNATIONAL WAYSIDE GOLD MINES LTD.  
2004 ANNUAL REPORT

a new era beckons



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The legend of Billy Barker lives on. Picturesque Barkerville Historic Town as seen today and visited by 100,000 tourists annually.



Geologist Jean Pautler shows mineralized drill core to members of the British Columbia Mining Task Force.



Diamond drilling from the portal in advance of the decline for the bulk sample program at the Bonanza Ledge Zone.

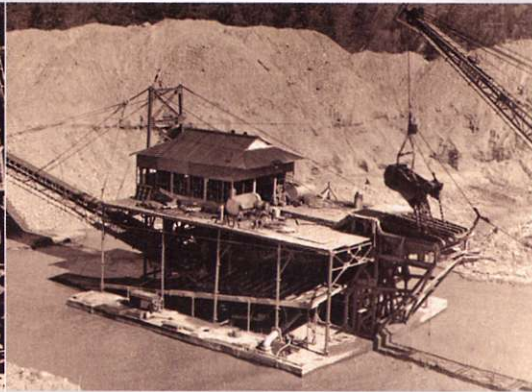
## mission statement

International Wayside's corporate objective is to create shareholder value through the discovery and development of economic gold deposits that offer both near-term return on investment in tandem with sustained, long-term growth. In keeping with its philosophy that mines are made and not found, the Company will continue to focus its development program on the famous Cariboo region...an area with a proven history of gold production.

## profile



Early gold mining on the Mucho Oro claim adjacent to the Bonanza Ledge Discovery Zone.



Historic placer gold mining operation on one of the seventy nine creeks that surround the Cariboo Gold Project.



One of the many pack trains delivering supplies on the rugged Cariboo Gold Rush Trail.

### INTERNATIONAL WAYSIDE IS BREATHING NEW LIFE INTO AN HISTORIC, GOLD-PRODUCING REGION.

International Wayside Gold Mines Ltd. is a well-established resource exploration company that controls over 176 square kilometers of prospective land in the historic Wells-Barkerville District of British Columbia, Canada. In the 1860s, a number of major gold discoveries in this region led to the famous Cariboo Gold Rush, one of the biggest gold rushes in Canadian mining history.

The Company's Cariboo Gold Project encompasses four former producing gold mines and a large block of placer claims in the district that historically has produced a total of 3.8 million ounces of gold. Over the past eight years, International Wayside has expended over \$13 million on exploration and drilling, aggressively developing its property assets. This program of activity has led to the

subsequent unveiling of the Bonanza Ledge Discovery and numerous promising gold showings. The Company's recent successes in attracting the required financing for the development of its properties have proven to be major strides in taking International Wayside forward toward achieving its ultimate goal of becoming the region's next gold producer.

A NEW ERA BECKONS...AND THE COMPANY'S OBJECTIVES ARE ON THE HORIZON.

## president's message

"IN KEEPING WITH THE COMPANY'S MISSION TO DEVELOP A SUCCESSFUL MINING OPERATION, WE HAVE SUBSTANTIALLY BOLSTERED OUR MINING AND EXPLORATION STAFF THROUGH THE APPOINTMENT OF SOME OF THE INDUSTRY'S TOP EXPLORATION AND MINING PROFESSIONALS"



Loading mineralized material from Bonanza Ledge bulk sample for shipment to the Mount Polley Mill for processing.



President Frank Callaghan with MLA Task Force members enjoy a light moment together viewing the claim map of the Cariboo Gold Project.



Underground shift boss Dave Williams and diamond driller Larry Gagnon exploration drilling underground Bonanza Ledge.

On behalf of the Board of Directors, it gives me great pleasure to report to you on the Company's activities for the year ended February 29, 2004. This year was a very special one in terms of the progress we achieved toward the goal of becoming a gold producer in an area rich with precious metal discoveries since 1860s.

International Wayside has now completed their eighth field season developing the Cariboo Gold Project. To date, we've expended more than \$13 million dollars on exploration programs: nearly \$3 million was expended on exploration last year and to date \$1.8 million has been spent on land acquisitions. Despite several years of poor metal prices and difficulties in raising capital for mineral exploration, I feel that we've stayed the course in our diligence to provide a return for our shareholders as well as demonstrated ourselves to be a competent junior resource company with potential for long term growth.

As world prices for metals gradually improved during the year, enhancing

junior resource companies share price and liquidity, so did the climate in attracting a vanguard of investors with a vision. The Company was successful in completing a number of equity and debt financings during the fiscal year, led by First Associates Investments Inc. and Sprott Asset Management Inc., raising over \$11 million for exploration, including a \$2 million debenture which has since been fully repaid, and assisted in the start up of our 10,000 tonne bulk sample. The fruits of this extensive investor confidence will certainly go a long way in proving up the Company's mineral resource, as well as the continuance of its aggressive drilling and exploration programs in the coming year.

Much of the 2004 fiscal year was spent defining the Bonanza Ledge resource. Drilling on the Bonanza Ledge Zone area supported the different styles of mineralization with similar structures found throughout the Cariboo Gold Quartz, Island Mountain, Aurum and Mosquito Creek mines. At the same time,

encouraging drill results expanded the mineralized areas on the Myrtle property and Bonanza Ledge Zones.

Our Phase 1 Drilling Program was completed in May 2003, which basically evaluated three targets of interest away from Bonanza Ledge: Stouts Gulch, BC Vein and the Black Bull Vein. Drill core showed us that the Black Bull Vein can now be traced for 1,000 feet and appears to be similar to the BC Vein.

Second Phase drilling evaluated a portion of the Bonanza Ledge Zone and to verify the grades and thickness of the Zone that were originally predicted by preliminary resource models. The majority of the drill holes intersected larger than expected mineralized intercepts, an encouraging situation for the Company because of the continuity of the grades and the consistencies of the thickness of the mineralized zones.

The fiscal year 2004 was also a landmark year for the Company and its working relationship with British Columbia's Ministry of Energy and

## president's message (continued)

Mines. In July our staff in Wells toured our Mines Minister, the Honorable Richard Neufeld who took the time to visit our Cariboo Gold Project. This was followed by the Mining Task Force appointed by Premier Gordon Campbell who toured in August as part of their mission to get a better understanding of the mining industry and its concerns. In addition a new agreement was reached with Mosquito Consolidated Gold Mines Limited.

In September our Cariboo Gold Project was the first significant metals project in the province to request and be awarded a Bulk Sample Permit. The Ministry issued the Permit allowing the Company to mine by underground mining methods 10,000 tonnes by way of a 500 foot decline. The Portal is located at the headwaters of Lowhee Creek and Stouts Gulch on the flank of Barkerville Mountain. Underground development and exploration for the 10,000 tonne bulk sample was started during the latter part of October. Delivery and processing will take place at the nearby Mount Polley Mill operated by Imperial Metals Corporation. Completion of the bulk sample processing is expected in August 2004.

Our Company was a key participant in a mining investment mission to London, England with the Honorable

Richard Neufeld, who is working in partnership with industry leaders to increase investor awareness of the mining and exploration potential in British Columbia. The trip was a busy one that generated a high level of interest in tandem with the rising prices of gold on the world market.

An application to mine up to 70,000 tonnes per year by open-pit mining methods is now in progress. This is in conjunction with a recently announced \$8.5 million financing. The proceeds of this financing, also led by First Associates, will be used to fulfill the obligation the Company has with Mosquito Consolidated Gold Mines Limited. The balance of the proceeds will be utilized for exploration and working capital. Proposed work will include new targets that have recently been identified, underground drilling to extend the known Bonanza Ledge Zone at depth and along strike, and surface drilling on the BC Vein to increase the strike length of 4,100 feet. Also planned is surface drilling on Cow Mountain, and drilling from underground on the 1200 Level down to the 1500 Level in an effort to increase the resource estimate reported by Giroux Consultants in 2002.

The Cow Mountain Development Permit Application to extract 3,000 tons per day by way of proposed open-pit mining methods, initially submitted in April of 2000 and then put on hold with the Bonanza Ledge Discovery, is expected to be re-submitted by November this year.

The milestones our Company has achieved this year have clearly laid the foundation for a bright and prosperous future.

The Company's Board of Directors was strengthened at last years Annual General Meeting with the election of two new Directors, Dr. David M. Stone, MBA, P.E., Ph.D. and J. Scott Bending, B.Sc., P.Geo. Their impact on the Cariboo Gold Project was immediate and profound. Special thanks go to our Chief Financial Officer, Ken Maddison, whose continued leadership and guidance have kept the Company on track.

I would like to thank our team of professional consultants, without their individual contributions it would not be possible to enjoy the fruits of our success today. To Fran MacPherson, our Mine Manager in Wells, managing the bulk sample program and a rapidly expanding operation have not gone unnoticed. Barkerville Historic Town for their patience and understanding over the past year of accelerated activity.

I would be remiss not to mention the members of our diligent and hard working group of professionals in our Vancouver office that round out the International Wayside team. In particular, I would like to acknowledge Audrey Dinning, your Company's Corporate Secretary for the ability to consistently meet our objectives under pressure and tight timelines.

Finally, I want to thank you, our loyal shareholders and financial backers. Thank you for your continued support as we enter a very exciting phase of future development. We could not have done it without you!



**J. Frank Callaghan**  
President and Chief Executive Officer

**"THE CARIBOO GOLD PROJECT CONTINUES TO RECEIVE UNPRECEDENTED SUPPORT FROM ALL LEVELS OF THE PROVINCIAL GOVERNMENT, THE LHTAKO DENE NATION AND MEMBERS OF THE SPIRITED COMMUNITY OF WELLS B.C."**



## MINERALIZED ROCK IN TRANSPORT

Trucks shipping bulk sample mineralized material for processing.



## YEAR IN REVIEW



Frank Callaghan discusses drill core to Rudy Durfeldt, Mike Hibbits, John Les, Linda Stewart, Mayor Dave Hendrixson and Jean Pautler listens.



Changing the heading, drilling the next round to blast for the 10,000 tonne bulk sample to produce the first gold.



Setting up the drill rods on the Bonanza Ledge Zone prior to commencing the underground bulk sample.

### SETTING THE STAGE FOR RAPID FUTURE DEVELOPMENT

Fiscal year 2004 was a year of significant activity and advancement for International Wayside Gold Mines Ltd. An Independent Preliminary Assessment Report prepared by DJP Associates and filed on SEDAR was later found to be National Instrument 43-101 non-compliant by the B.C. Securities Commission and was retracted by the Company in April 2004. The Company retained Roscoe Postle Associates Inc. ("RPA") to begin preparing a Pre-Feasibility Study on Wayside's Cow Mountain, BC Vein and Bonanza Ledge Zone. RPA's work will include the Reserve Estimates prepared by Giroux Consultant Ltd. in 2002. RPA has already submitted initial recommendations for the work schedule leading up to the preparation for this report. A significant amount of new information has been generated in the past year, in addition to this years extensive multi-phase work program, made possible due to the expanded budget.

Preparation of the Pre-Feasibility Study is anticipated to be completed by the end of March 2005. The Study will determine the overall economic scope and potential of the Cariboo Gold Project and will clarify the following:

- estimated resource calculations;
- extent of economic gold reserves; and
- whether potential mining will be carried out underground or by open pit methods.

### PHASE 1 EXPLORATION PROGRAM SUCCESSFULLY COMPLETED 2003

Completed in April 2003, the Company's Phase 1 Program was designed to evaluate three targets away from Bonanza Ledge Zone; one in Stouts Gulch, the BC Vein and the Black Bull Vein. Results demonstrated the Black Bull Vein can now be traced for 1,000 feet parallel to the BC Vein (BC Vein 4,100 feet in length open in all directions).

### PHASE 2 EXPLORATION PROGRAM PRODUCES ENCOURAGING RESULTS

The second phase drill program under the direction of Godfrey Walton, P.Geol., was designed to evaluate a portion of the Bonanza Ledge Zone with 8 holes; each hole was spaced 20 feet apart. The purpose of this drilling was to look at the variability of the mineralization in a part of the Bonanza Ledge Zone, verify the grades and thickness of the Zone that was predicted by the resource and mine models and gather geotechnical data for the mine planning in the vicinity of the proposed underground bulk sample. The intersections obtained by these holes were larger than both the resource and mine models predicted and therefore it is expected that the tonnage of Bonanza Ledge Zone will increase when a new resource estimate is completed. The results, represent some of the best intersections obtained from drilling on the Bonanza Ledge Zone.

### BULK SAMPLE PERMIT AND 10,000 TONNE EXTRACTION

In October 2003, the British Columbia Ministry of Energy and Mines approved the Bulk Sample Permit allowing the Company to mine 10,000 tonnes of mineralized material from the Bonanza Ledge Zone. The underground access (portal) is located at the headwaters of Lowhee Creek and Stouts Gulch where, by way of a 500 foot decline, the Zone is accessed. The Company appointed Roktek Services Inc. to complete the decline and the rock extraction. The mineralized material was transported to the nearby Imperial Metal's Mount Polley Mill processing facility. The Cariboo Gold Project is one of the first significant metals projects in the Province of British Columbia to receive a Bulk Sample Permit.

Concurrent with the permitting activities, Mike Hibbits, P.Geol., the Company's project geologist reported "the underground drilling program, designed to outline both grade and thickness of the mineralized material was met with unprecedented success. The zone, scheduled to be mined (120 feet of strike) has shown both a higher grade core and a larger mineralized envelope than previously identified from surface drilling". The Company's Board of Directors subsequently approved a program of additional underground diamond drilling to follow up on the width and grade of the Zone, with a view to add

## YEAR IN REVIEW (continued)



Hauling mineralized material with an underground scoop from the Bonanza Ledge Zone.



Aggressive development underground and on surface. Expanding proven reserves has remained a top priority.



Initial 10,000 tonne program only the beginning. Phase II bulk sampling to continue unabated through 2004/2005.

to the strike continuation. This program will be carried out from the existing underground development.

### **GOOD RECOVERIES FROM BULK SAMPLE**

Metallurgical testing in November 2003 at Imperial Metal's Mount Polley Mill operation indicated exceptional gold recoveries from the Bonanza Ledge mineralized material. Preliminary flotation testing reported that gold recoveries in the 95% range were achieved from a core composite grading 0.65 oz/t Au. Testing and optimization of a final concentrate were continued returning consistent and positive results.

### **MATERIAL STOCKPILED AT MOUNT POLLEY FOR PROCESSING**

10,000 tonnes is stockpiled at the nearby Mount Polley Mill. A gold-sulfide concentrate suitable for smelting or cyanidation will be used for final gold recovery. Processing is planned for August 2004.

### **MYRTLE PROPERTY DRILLING**

On the Myrtle Property east of the Bonanza Ledge Zone, a 5,392 feet drilling program was completed under the direction of Jean Pautler, P.Geo.

### **SURFACE AND UNDERGROUND EXPLORATION PERMITS**

Surface exploration permits are forthcoming for a number of prospective areas including the BC Vein, Bonanza Ledge Zone and Cow

Mountain. In addition, an extensive underground program is planned on Cow Mountain. These programs are planned to increase the Mineral Resource Estimates, in preparation for the Pre-Feasibility Study.

### **FINANCING TOTALING \$11 MILLION COMPLETED**

The Company successfully completed a number of key financing totalling in excess of \$11 million. The funds are expected to allow the Company to fulfill its contractual obligations with respect to the property and provide sufficient working capital to facilitate its ongoing multi-phase exploration and drilling program on the Cariboo Gold Project.

### **70,000 TON MINE PERMIT APPLICATION IN PROGRESS**

With the completion of the 10,000 tonne bulk sample, the Company will be submitting an application for a mine permit to extract 70,000 tonnes of mineralized material from the Bonanza Ledge Zone.

### **GRANTED TIME LIMIT EXTENSION FOR DEVELOPMENT PERMIT APPLICATION**

The Company was granted a time limit extension to October 29th, 2004 from the BC Environmental Assessment Office for preparation and submission of Final Terms of Reference for the Cow Mountain Development Permit Application. This has allowed the Company time

to identify, assess and incorporate additional and supplementary information pertaining to potential impacts and proposed mitigation measures resulting from revisions to the Cariboo Gold Project plans. The Company remains committed to this assessment process and is presently continuing to obtain comprehensive input from government agencies, the public and First Nations.

### **THE CARIBOO GOLD PROJECT**

The Cariboo Gold Project encompasses the former-producing Cariboo Quartz Mine and the Hardscrabble Tungsten Mine on the property of International Wayside Gold Mines Ltd.; jointly held with Island Mountain Gold Mines Ltd. are the Aurum, Island Mountain, and Mosquito Creek Gold Mines; and the Cariboo Hudson and Cariboo Thompson Gold & Silver Mines on the property of Golden Cariboo Resources Ltd.

The Cariboo Gold Project's land holdings now cover 456 square kilometers, measuring 57 kilometers in length and over 8 kilometers in width. Within the historic Barkerville Camp, 79 creeks have reported placer gold production. Recorded production from this area was 3.8 million ounces of gold, consisting of 2.6 million ounces from placer operations and 1.2 million ounces from lode mining.



## UNDERGROUND BULK SAMPLE PROGRAM

Preparing drill core samples.

## a resourceful CHRONOLOGY

### 1860 – 1987

Historic Wells district records 3.6 million ounces of gold production from placer and lode mining.

### OCTOBER 1994

IWA options 50% of highly prospective Cariboo Gold Quartz Mine.

### MAY 1995

Multi-phase surface and underground drilling program initiated on Cow Mountain.

### SEPTEMBER 1998

B.C. Vein drilling commences.

### JANUARY 1999

Company options remaining 50% of Cariboo Quartz Mine, 100% of Island Mountain, Aurum and Mosquito Creek Gold Mines.

### MARCH 2000

Bonanza Ledge Discovery of high-grade gold mineralization causes major staking rush to region. Application submitted to the British Columbia Environmental Assessment Office to develop the Cariboo Gold Project.

### JULY 2000

Memorandum of Understanding signed with First Nations, Lhtako Dene Band re Cariboo Gold Project.

### APRIL 2001

Drilling program initiated on Canusa, BC Vein/Bonanza Ledge.

### JULY 2002

British Columbia Government enters partnership Agreement with the Company to promote mining exploration. Bonanza Ledge BC 02-08 intersects 204.5 feet grading 0.287 oz./ton gold

### OCTOBER 2002

New Discovery on the Myrtle Claims, 1st Drill Hole M 02-01 returns 58 feet grading 0.266 oz./ton gold.

### JUNE 2003

Bonanza Ledge drilling program returns high-grade intersects highlighted by BC 03-12 reported 149.5 feet of 0.81 oz./ton gold including 103 feet grading 1.2 oz./ton gold.

### AUGUST 2003

New property option agreement for Cariboo Quartz, Island Mountain, Aurum and Mosquito Creek Gold Mines completed. Private placement for \$2 million equity financing completed.

### SEPTEMBER 2003

\$2 million debenture financing completed. Drill results for Bonanza Ledge in BC 03-14 returns 157.5 feet of 0.735 oz./ton gold including 87 feet of 1.124 oz./ton gold.

### OCTOBER 2003

10,000 tonne Bulk Sample Permit approved.

### NOVEMBER 2003

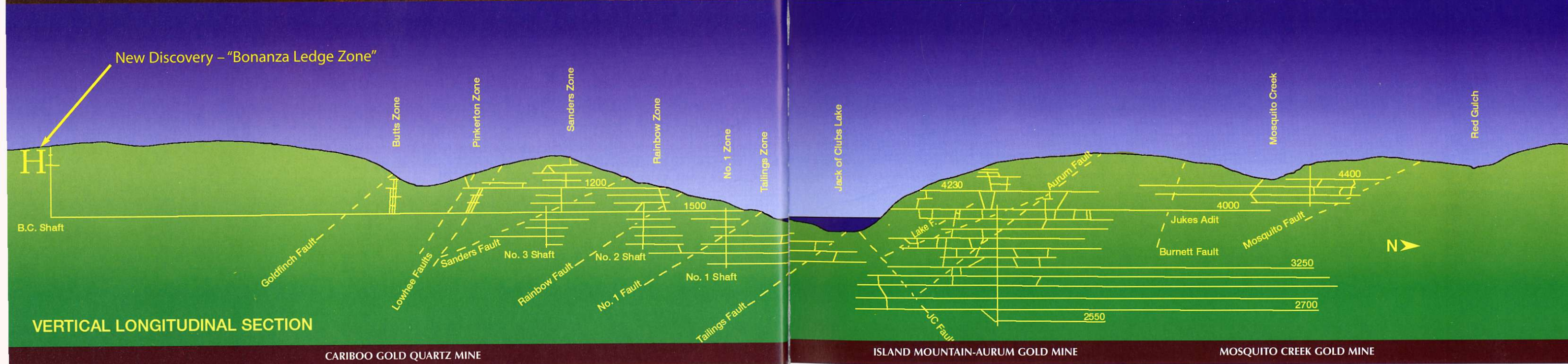
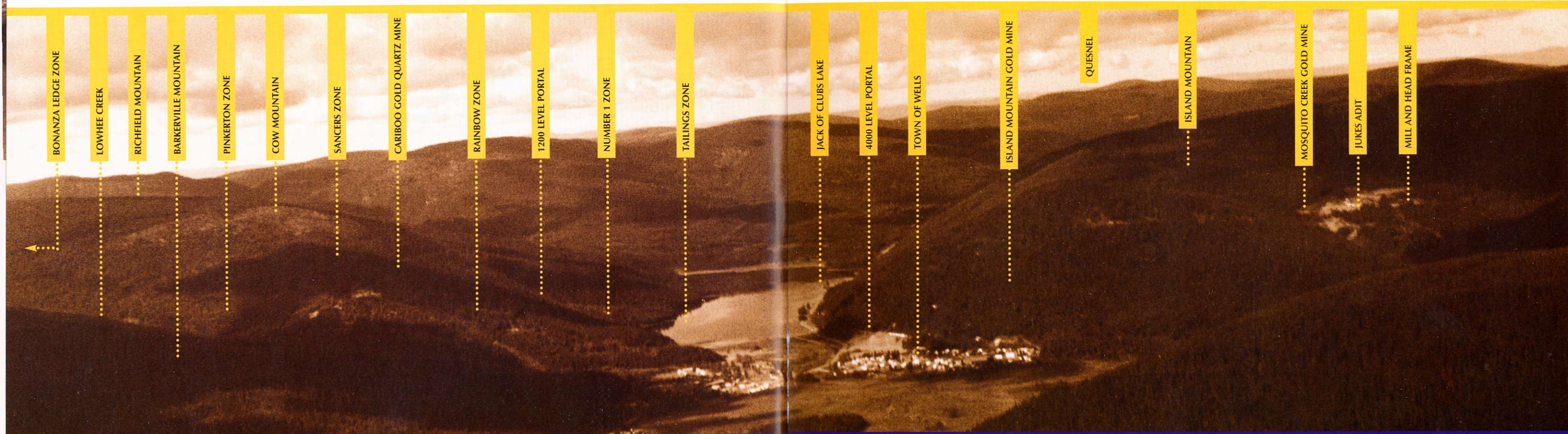
Portal collared and underground development for bulk sample program begins.

### DECEMBER 2003

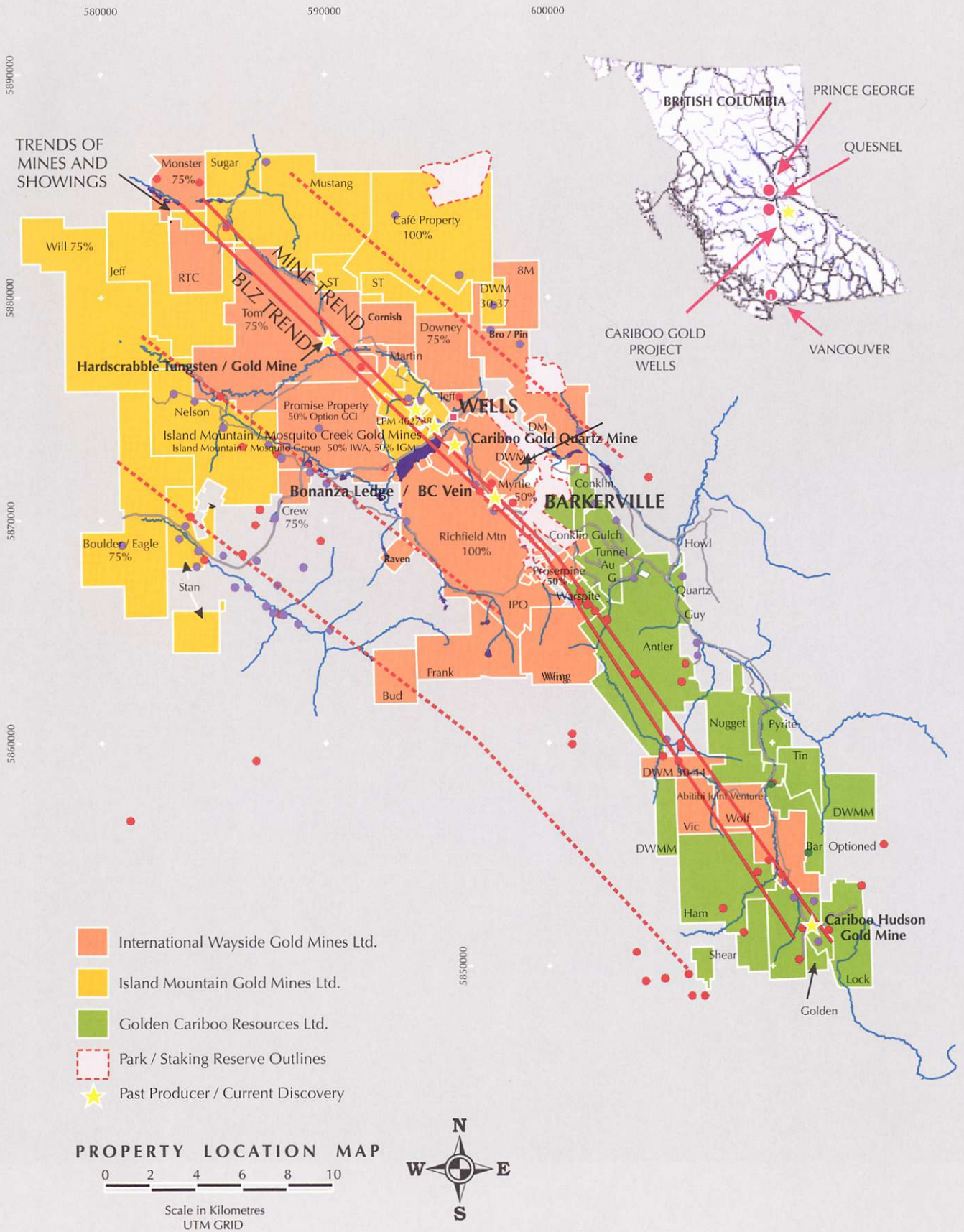
\$6.8 million financing completed. Bonanza Ledge drill hole BC 03-25 intersects 76.6 feet grading 0.91 oz./t gold. Company completes equity financing of \$6.8 million.



# property overview



# claim map - CARIBOO GOLD PROJECT



# corporate ethics

## INTERNATIONAL WAYSIDE'S REPUTATION RESTS ON RESPONSIBILITY

We believe that corporate responsibility begins at home and belongs wherever we are working. Whether it involves operating or developing mines, the Company seeks to meet or surpass all environmental regulations and guidelines. International Wayside's objective is to minimize the effects of

mining and restore natural ecosystems to a condition that equals or surpasses that which existed prior to project development.

In terms of specific regions, our experience has shown that community building is most effective when it is tailored to meet local

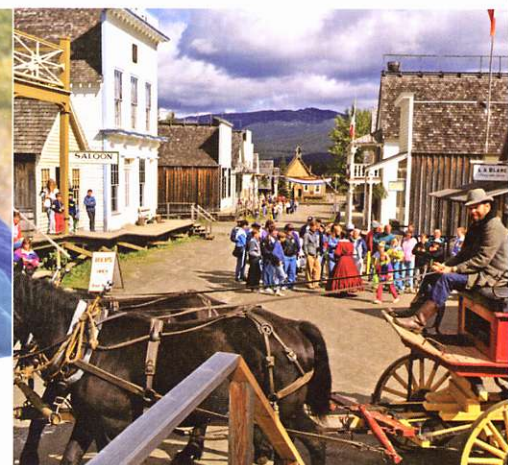
needs and priorities as defined by the communities themselves. It takes both financial and human involvement to make a difference.



Current day Barkerville in all its glory. International Wayside is proud to be associated with the spirited people of Wells, B.C.



Elders Katherine Peters and Julie George with Luna Ildzi the traditional use study coordinator of the Lhtako Dene Nation visiting the Cariboo Gold Project.



Since the 18th century, mining and exploration has played an integral role in Barkerville's heritage.

"WE ARE PROUD TO BE ASSOCIATED WITH A COMMUNITY AND PEOPLE OF A REGION RICH IN MINING HISTORY. WE HAVE AN UNWAVERING COMMITMENT TO CREATE OPPORTUNITY AND TO EXPLORE AND DEVELOP IN AN ETHICAL AND RESPONSIBLE MANNER."

J. FRANK CALLAGHAN  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

## REGIONAL PROGRAM

Exploration will continue at the Cariboo Gold Project during the balance of the 2005 fiscal year. The targets identified are very promising and will assist RPA in their Pre-Feasibility Study due to be completed in March 2005.

The 2004 surface program will include a diamond drill program, consisting of 160 drillholes totalling 25,000m with 1,350m of trail building. This program will commence as soon as permitting is approved. In the Lowhee Creek area, targeting significant gold in soil geochemical anomalies, geophysical anomalies, newly discovered replacement style mineralization and known quartz vein mineralization along both the Mine and Bonanza Ledge Trends. The Mine Trend covers the Baker/Rainbow contact along which the past producing Aurum, Island Mountain, Mosquito Creek and Cariboo Gold Quartz mines were located, whereas the Bonanza Ledge Trend, covers the stratigraphy that

hosts the Bonanza Ledge Zone, approximately 1,000 feet structurally lower in the sequence.

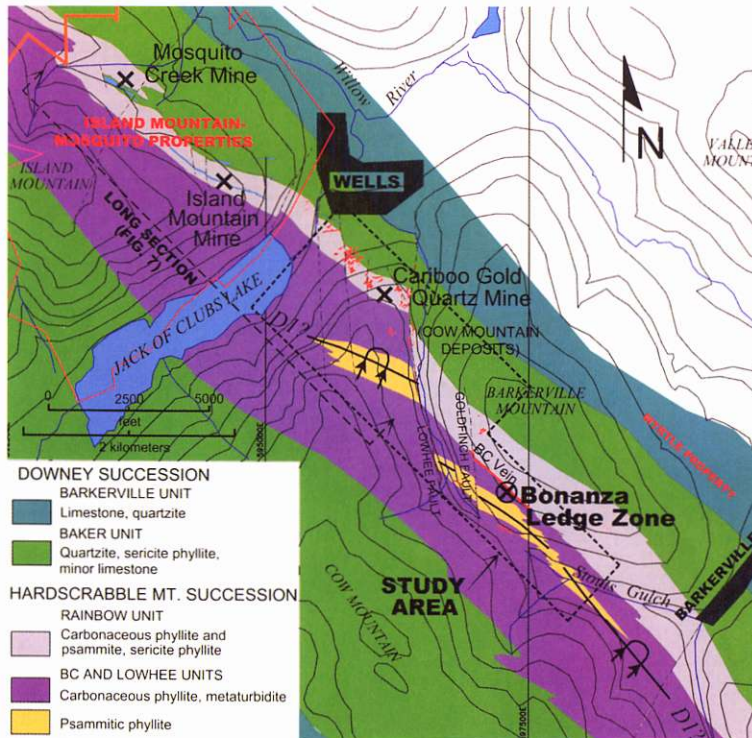
An additional 5,400m of diamond drilling in 25 holes on the Bonanza Ledge Zone and BC Vein is planned to test the strike and dip extensions suggested by alteration, soil geochemistry, Induced Polarization (IP) geophysical anomalies and new structural interpretations, to increase the known resource reported by Giroux in 2002.

Approximately 1,800m of diamond drilling in 10 holes is planned along the Wells Trend, a gold in soil geochemical anomaly (with coincident significant alteration, pyrite mineralization and gold occurrences in old trenches) on the flank of Cow Mountain, which covers the faulted strike extension of the Bonanza Ledge Trend. Eight drillholes totalling 1,500m are proposed on the Black Bull - Canusa Vein areas (strike veins similar to the BC Vein, which occurs in the structural

hanging wall of the Bonanza Ledge Zone) to test geochemical and geophysical targets and known veins.

In the Cow Mountain area, in the vicinity of the past producing Cariboo Gold Quartz Mine, surface and underground diamond drill programs will commence with the objective of doubling the known resource, calculated by Giroux as 6.63 million tons grading 0.065 oz/ton (2.23 g/t) Au, indicated and 1.68 million tons grading 0.054 oz/ton (1.85 g/t) Au, inferred. Currently, 67 surface diamond drillholes totalling 6,000m are being spotted in the field to increase the confidence level of the resource above the 1200 Level by converting inferred resource blocks to indicated/measured. The underground program (to initially include approximately 90,000 feet of drilling in 200 holes) will cover a similar volume to that previously drilled to prove the existing resource by testing below the 1200 Level, to expand the resource base down to the 1500 Level 350 vertical feet.

## PROPERTY GEOLOGY OF WELLS - BARKERVILLE AREA



"WE HAVE CONTINUED TO RECEIVE ENCOURAGING RESULTS FROM EXPLORATION AND DRILLING WHICH BODES EXCEPTIONALLY WELL FOR THE FUTURE PROSPECTS OF THE CARIBOO GOLD PROJECT "

J. FRANK CALLAGHAN  
PRESIDENT AND CHIEF  
EXECUTIVE OFFICER

## SURVEYING

Angelique Justason surveys the proposed portal site on the flank of Barkerville Mountain for the 10,000 tonne bulk sample.



## auditors' report to the shareholders

We have audited the balance sheets of International Wayside Gold Mines Ltd. as at February 29, 2004 and February 28, 2003 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 29, 2004 and February 28, 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**KPMG LLP**

Chartered Accountants

Vancouver, Canada

May 12, 2004



View looking south east down the ramp along side the mineralized material pile at the Bonanza Ledge Portal.



Haul trucks heading through Barkerville Historic Town enroute to processing at Mount Polley Mill.



An underground scoop brings a load of mineralized material up the ramp to surface for stockpiling.

# Balance sheets

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,490,532	\$ 215,022
Short-term deposits	5,278,558	-
Amounts receivable	166,901	39,561
Prepaid expenses	46,421	3,623
	<u>6,982,412</u>	<u>258,206</u>
Reclamation deposits	96,000	36,000
Investments (note 3)	49,633	33,133
Due from related parties (note 6(a))	102,994	212,622
Property and equipment (note 4)	240,663	279,058
Mineral properties (note 5)	14,856,079	10,303,883
	<u>\$ 22,327,781</u>	<u>\$ 11,122,902</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 590,427	\$ 391,168
Due to related parties (note 6(b))	304,796	127,366
Current portion of mortgage payable (note 7)	66,021	1,079
Debentures payable (note 8)	2,639,408	-
	<u>3,600,652</u>	<u>519,613</u>
Mortgage payable (note 7)	-	66,021
Shareholders' equity:		
Capital stock (note 9(b))	30,925,757	21,742,821
Contributed surplus (note 9(d) and (e))	486,361	142,995
Advances on share subscriptions (note 9(b))	7,500	13,500
Deficit	(12,692,489)	(11,362,048)
	<u>18,727,129</u>	<u>10,537,268</u>
	<u>\$ 22,327,781</u>	<u>\$ 11,122,902</u>

Continuing operations (note 1)  
 Commitments (note 5)  
 Subsequent events (notes 8 and 9(d))  
 Contingency (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board:



**J. Frank Callaghan**  
 Director



**H. Ken Maddison**  
 Director



# statements of operations and deficit

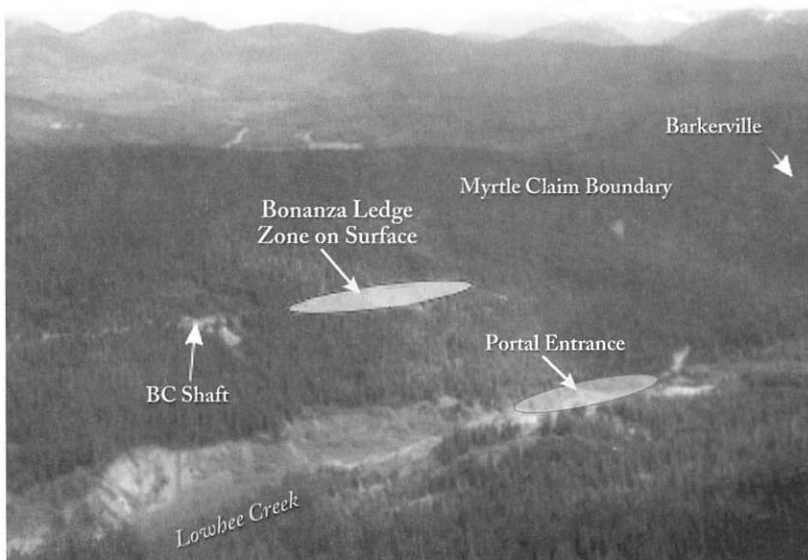
EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
Interest income	\$ 35,658	\$ 1,014
Administrative expenses:		
Accounting, audit and legal	95,359	121,683
Amortization	40,848	47,833
Automobile	16,709	18,081
Bank charges, interest and commissions	20,230	47,569
Management fees (note 6(c))	120,000	120,000
Office and administration	65,219	70,859
Rent	6,920	6,997
Shareholder communications and advertising	575,555	289,511
Telephone	47,448	34,436
Transfer agent and filing fees	100,029	47,678
Stock-based compensation (note 9(d))	29,672	142,995
Wages, consulting fees and benefits	248,110	237,442
	1,366,099	1,185,084
Loss for the year	(1,330,441)	(1,184,070)
Deficit, beginning of year	(11,362,048)	(10,177,978)
Deficit, end of year	\$ (12,692,489)	\$ (11,362,048)
Basic and diluted loss per share (note 2(h))	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding	95,572,374	70,185,525

See accompanying notes to financial statements.

## view looking south east on BARKERVILLE mountain

PHOTO BY GOLD CITY INDUSTRIES LTD.



# statements of cash flows

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (1,330,441)	\$ (1,184,070)
Items not involving cash:		
Amortization	40,848	47,833
Accrued interest income on short-term deposits	(27,058)	-
Stock-based compensation	29,672	142,995
	(1,286,979)	(993,242)
Changes in non-cash operating working capital:		
Amounts receivable	(127,340)	(27,461)
Prepaid expenses	(42,798)	(3,623)
Accounts payable and accrued liabilities	199,259	160,786
	(1,257,858)	(863,540)
Investments:		
Reclamation deposits	(60,000)	-
Short-term deposits	(5,251,500)	-
Due from related parties	109,628	208,698
Purchase of property and equipment	(2,453)	(28,428)
Expenditures on mineral properties, net of recoveries	(3,320,271)	(992,047)
	(8,524,596)	(811,777)
Financing:		
Due to related parties	177,430	(137,594)
Net proceeds on issue of debentures	1,774,677	-
Mortgage payments	(1,079)	(996)
Issuance of capital stock for cash	9,099,436	2,001,842
Advances on share subscriptions	7,500	13,500
	11,057,964	1,876,752
Increase in cash and cash equivalents	1,275,510	201,435
Cash and cash equivalents, beginning of year	215,022	13,587
Cash and cash equivalents, end of year	\$ 1,490,532	\$ 215,022
Supplemental cash flow information:		
Interest paid	\$ 10,411	\$ 17,671
Taxes paid	-	-
Non-cash operating, financing and investing activities:		
Issuance of capital stock for mineral properties	70,000	90,820
Issuance of capital stock on settlement of debts, net of escrow shares cancelled	-	192,418
Issuance of capital stock for finder's fee	6,000	-
Shares received pursuant to mineral property option agreements	16,500	19,000
Fair value of share purchase warrants issued with debentures	313,694	-

See accompanying notes to financial statements.

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

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## 1. Continuing operations:

The Company was incorporated on February 12, 1970 under the Company Act (British Columbia) (now the British Columbia Corporations Act). Its principal business activities are the exploration and development of mineral properties in British Columbia, with its principal property being the Cariboo Gold Project (note 5(b)).

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete development, confirmation of the Company's interest in the underlying mineral claims and leases and upon future profitable production from or the proceeds from the disposition of its mineral properties.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. At February 29, 2004, the Company has working capital of \$3,381,760, which is not sufficient to meet the Company's planned business objectives. The Company does not currently hold any revenue generating properties. As a result, the Company incurred losses for the years ended February 29, 2004 and February 28, 2003 and has an accumulated deficit of \$12,692,489 as of February 29, 2004. The Company's continuing operations and the ability of the Company to discharge its liabilities and fulfill its commitments as they come due is dependent upon the ability of the Company to continue to obtain equity financing and, ultimately, on locating economically recoverable ore reserves and attaining profitable operations. Failure to continue as a going concern would require the restatement of assets and liabilities on a liquidation basis, which would differ materially from the going concern basis.

## 2. Significant accounting policies:

### (a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

### (b) Cash equivalents, short-term deposits and reclamation deposits:

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a term to maturity of three months or less at acquisition, that are readily convertible to specified amounts of cash.

Short-term deposits are also highly liquid investments. However, short-term deposits have a term to maturity of greater than three months and less than one year at acquisition. Short-term deposits include accrued interest.

Reclamation deposits are term deposits placed in the name of the government of the province of British Columbia as security for possible reclamation activities on the Company's mineral properties in connection with permits required for exploration activities. As they are restricted from general use, they are excluded from current assets.

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

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## 2. Significant accounting policies (continued):

(c) Investments:

Investments are carried at cost less any provision for other-than-temporary impairment in value.

(d) Property and equipment:

Property and equipment is recorded at cost. Amortization is provided, once the assets are in use, over their estimated useful lives on a declining balance basis at rates between 5% and 20% per annum.

(e) Mineral properties:

The Company capitalizes the acquisition cost of mineral properties and defers exploration and development expenditures directly related to specific mineral properties, net of recoveries received, until such time as the extent of mineralization has been determined and the mineral properties are developed, the Company's mineral rights are allowed to lapse or the Company determines that the deferred costs are in excess of the net recoverable amount. At that time the deferred costs are either amortized on a unit-of-production basis, written off or written down, as appropriate.

Mineral property acquisition costs include the cash consideration paid and the fair value of common shares issued on acquisition, based on the trading price of the shares on the date of the agreement to issue the shares.

Recoveries for option payments or shares received are recorded on receipt, as the payments or shares received under the agreement are made at the sole discretion of the optionee. Refundable mineral exploration tax credits are also recorded on receipt as the amounts are subject to acceptance by the taxation authorities.

(f) Stock-based compensation:

The Company accounts for stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after March 1, 2002, using the fair value based method. Compensation is recorded as an expense in the period the stock-based payments vest or the awards or rights are granted.

The Company has elected to apply the settlement method of accounting for stock options granted to directors and employees. Under the settlement method, no compensation expense is recognized when stock options are granted to directors and employees if the exercise price of the stock options granted is at market value. Any consideration paid by directors and employees on exercise of stock options or purchase of shares is credited to share capital. However, disclosure of the effects of accounting for stock-based compensation to directors and employees as compensation expense, using the fair value based method, is disclosed as pro-forma information (note 9(d)).

For stock options granted prior to March 1, 2002, no compensation expense was recognized for stock options granted to non-employees, employees or directors. Any consideration paid by employees or directors on exercise of options was credited to share capital.

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

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## 2. Significant accounting policies (continued):

### (g) Income taxes:

The Company accounts for income taxes using the asset and liability method. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax basis (temporary differences), and loss carry forwards. Future income tax assets and liabilities are measured using the substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantially enacted. The amount of future income tax assets recognized is limited to the amount that is, in management estimation, more likely than not to be realized.

### (h) Loss per share:

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share for options and warrants. The treasury stock method assumes that for purposes of determining the weighted average shares outstanding for the calculation of dilutive per share amounts, the proceeds to be secured on exercise of options and warrants are applied to repurchase common shares at the average market price for the period. However, diluted loss per share does not differ from basic loss per share as the effect of outstanding options and warrants would be anti-dilutive.

### (j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of recoverability of mineral property deferred costs, useful lives for amortization and valuation allowance of future tax assets. Actual results could differ from those estimates.

### (i) Financial instruments:

As at February 29, 2004 and February 28, 2003, in all material respects, the carrying amounts of the Company's financial instruments, other than investments, amounts due from and to related parties and the debentures payable, approximate their fair values due to the short-term to maturity of such instruments. The fair value of investments is disclosed in note 3. It is not practicable to determine the fair values of the amounts due from and to related parties due to the related party nature of such amounts and the absence of a secondary market for such instruments. In addition, it is not practicable to determine the fair value of the debentures payable due to the absence of a secondary market, for such instruments.

### (j) Comparative figures:

Certain of the prior years' comparative figures have been reclassified to conform to the presentation adopted in the current year.

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

## 3. Investments:

	2004			2003		
	Number of shares	Carrying value	Quoted market price	Number of shares	Carrying value	Quoted market price
Island Mountain Gold Mines Ltd.	402,000	\$ 46,633	\$ 52,260	252,000	\$ 30,133	\$ 35,280
Global Tree Technologies Inc.	300,000	3,000	4,500	300,000	3,000	3,000
		\$ 49,633	\$ 56,760		\$ 33,133	\$ 38,280

The Company receives shares of other companies pursuant to mineral property option agreements (note 5(b)). Island Mountain Gold Mines Ltd. ("IMGML") is related by way of certain common directors.

## 4. Property and equipment:

2004	Cost	Accumulated amortization	Net book value
Land	\$ 59,300	\$ -	\$ 59,300
Building	33,200	10,428	22,772
Office equipment	163,036	120,655	42,381
Mining equipment	370,936	266,162	104,774
Vehicles	14,295	2,859	11,436
	\$ 640,767	\$ 400,104	\$ 240,663

2003	Cost	Accumulated amortization	Net book value
Land	\$ 59,300	\$ -	\$ 59,300
Building	33,200	9,230	23,970
Office equipment	160,727	110,060	50,667
Mining equipment	370,792	239,966	130,826
Vehicles	14,295	-	14,295
	\$ 638,314	\$ 359,256	\$ 279,058

## 5. Mineral properties:

	2004	2003
Wayside property (a)	\$ 1	\$ 1
Cariboo Gold Project (b)	14,856,078	10,303,882
	\$ 14,856,079	\$ 10,303,883

## notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

### 5. Mineral properties (continued):

#### (a) Wayside property:

At February 29, 2004, the Company holds a 100% interest in the Wayside property, consisting of certain mineral claims and leases located in the Lillooet Mining Division, British Columbia. If, and when, the property commences commercial production, the Company will be required to issue shares equal in value to \$480,000 to the party from whom it was initially acquired.

Based on limited financial resources and current economics, the Company has been focusing its efforts in recent years on the Cariboo Gold Quartz property (note 5(b)) and has been seeking, without success, a joint venture partner to fund exploration expenditures on the Wayside property. Based on the limited exploration work performed on the property in recent years and the uncertainty of recovering the deferred costs, the Company is carrying this property at a nominal amount.

#### (b) Cariboo Gold Project:

	Bulk sampling	Other	2004	2003
Acquisition costs:				
Option payments made and shares issued		\$	704,000	\$ 238,715
Option payments and shares received			(31,500)	(154,000)
Net acquisition costs			672,500	84,715
Debenture financing costs (note 8)			1,178,425	-
Exploration and development expenditures:				
Administration fees (note 6(c))	\$ 64,198	\$ 65,948	130,146	66,785
Assaying	13,614	36,628	50,242	36,478
Consulting (note 6(c))	13,909	159,464	173,373	132,179
Engineering	-	7,612	7,612	34,870
Environmental	-	4,641	4,641	7,899
Land fees and permitting	-	40,414	40,414	101,809
Exploration	1,395,925	268,418	1,664,343	168,473
Equipment rentals (note 6(c))	32,083	79,303	111,386	42,079
Project administration fees (note 6(c))	-	16,500	16,500	23,000
Mine and field supplies	141,156	393,545	534,701	357,199
Travel	129,179	127,425	256,604	8,381
	1,790,064	1,199,898	2,989,962	979,152
Mineral exploration tax credits received	-	(288,691)	(288,691)	-
Net exploration and development expenditures	\$ 1,790,064	\$ 911,207	2,701,271	979,152
Net expenditures during the year			4,552,196	1,063,867
Balance, beginning of year			10,303,882	9,240,015
Balance, end of year			\$ 14,856,078	\$ 10,303,882

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

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## 5. Mineral properties (continued):

### (b) Cariboo Gold Project (continued):

During 1994, the Company entered into an option agreement with Mosquito Consolidated Gold Mines Ltd. ("Mosquito"), to earn a 50% undivided interest in the Cariboo Gold Quartz property, consisting of certain mineral claims and leases located in the Cariboo Mining Division, British Columbia. In order to earn its 50% interest in the property, the Company was required to make option payments totalling \$50,000 (paid), issue 500,000 common shares (issued), and incur cumulative exploration and development expenditures totalling \$1,450,000 over a six year period to October 3, 2000 (incurred). For each additional year thereafter until a production decision is made, the Company agreed to spend \$500,000 on further exploration and development work on the property, although the agreement provides that the Company can apply expenditures incurred during the six year period to October 3, 2000 in excess of \$1,450,000 against this \$500,000 annual expenditure commitment.

The Company subsequently entered into an amended agreement with Mosquito whereby the Company can acquire the remaining 50% of the Cariboo Gold Quartz property held by Mosquito as well as a 100% interest in Mosquito's Island Mountain and Mosquito Creek properties that are contiguous to the Cariboo Gold Quartz property (which collectively form the Cariboo Gold Project) (the "Properties"), for cash totalling \$4,054,303 to be paid in stages to December 31, 2003. The agreement provides for a NSR royalty to Mosquito of 3% of net revenues derived from production of minerals from the Properties and the Company has the option of purchasing this royalty for a period of one year from the completion of a positive feasibility study for U.S. \$4,200,000. The Company is responsible for settling an existing 10% net profits interest on the Properties and has been granted an option to purchase all equipment on the Properties owned by Mosquito. Mosquito retains all placer rights to the Properties. To February 28, 2003, the Company had paid \$554,303 to Mosquito under the terms of the amended agreement. In fiscal 2004, the agreement with Mosquito was further amended such that the Company paid \$50,000 on signing the amended agreement and \$450,000 on or before September 15, 2003, and agrees to pay \$500,000 on or before August 31 in each of the years 2004 to 2006 and \$3,500,000 on or before December 31, 2006. The agreement further provides that the Company can extract a bulk sample of not more than 40,000 tons from the Cariboo Gold Quartz property, on which a NSR royalty of 5% is payable to Mosquito.

During fiscal 2000, the Company entered into an agreement with IMGML, a public company listed on the TSX Venture Exchange ("TSX-V") which has certain common directors with the Company, granting IMGML an option to earn a 50% interest in the Island Mountain and Mosquito Creek properties from the Company. In order to earn its 50% interest, the agreement provides that IMGML pay the Company \$150,000 upon execution of the agreement (received) and make annual option payments to the Company of \$50,000 over a five year period (\$250,000 received to February 29, 2004), issue 500,000 shares of IMGML in stages (500,000 shares received to February 29, 2004) and incur \$4,000,000 in exploration expenditures over a five year period. The Company is the operator on the exploration work programs, although it utilizes the services of the primary contractor used for the exploration work programs on its own properties (see notes 6(a) and 6(c)).



# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

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## 5. Mineral properties (continued):

### (b) Cariboo Gold Project (continued):

During fiscal 2001, the Company entered into agreements with several third parties to acquire interests in certain mineral properties contiguous to the Cariboo Gold Project. In aggregate, the agreements, as amended, call for the Company to pay \$242,500, issue 664,500 common shares and incur \$730,000 of exploration expenditures over a four year period.

Also during fiscal 2001, the Company entered into an agreement with Global Tree Technologies Inc. ("Global"), a public company listed on the TSX-V, granting Global an option to acquire a 50% interest in 24 mineral claims located in the Cariboo Mining Division. In order to earn its 50% interest, the agreement provides that Global pay the Company \$25,000 upon execution of this agreement (received) and \$25,000 within one year of regulatory approval, issue to the Company a total of 500,000 shares of Global in stages (300,000 shares received to February 29, 2004) and incur \$1,550,000 of exploration expenditures over a five year period. During fiscal 2002 and 2003, the Company and Global amended the agreement to extend the due date of the payment due in 2002 to December 31, 2003, increase the amount to \$60,000 and allow for this payment to be made in shares of Global or cash. In addition, the Company and Global agreed to reduce the exploration expenditure commitment to \$1,450,000 by December 31, 2006 and increase the share consideration to a total of 600,000 shares of Global (to be issued in stages).

During fiscal 2002, the Company entered into agreements with several third parties to acquire interests in certain mineral properties contiguous to the Cariboo Gold Project. In aggregate, the agreements require the Company to pay \$1,000 (paid) and issue 110,000 common shares.

During fiscal 2003, the Company entered into agreements with several third parties to acquire interests in certain mineral properties contiguous to the Cariboo Gold Project. In aggregate, the agreements require the Company to issue 391,534 common shares (issued) and pay a total of \$25,000 over a two-year period (paid in fiscal 2003 and fiscal 2004).

During fiscal 2004, the Company entered into agreements with several third parties to acquire interests in certain mineral properties contiguous to the Cariboo Gold Project. In aggregate, the agreements require the Company to pay \$134,000 (paid).

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

## 6. Related party balances and transactions:

### (a) Balance receivable:

The amounts receivable from related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

	2004	2003
Due from a company controlled by a director (note 6(c))	\$ -	\$ 171,537
Due from other companies with certain common directors	87,830	41,085
Advance to a company controlled by a director for future office rent	15,164	-
	\$ 102,994	\$ 212,622

The balance receivable from other companies with certain common directors relates primarily to an allocation of administrative costs incurred by the Company to other public companies with certain common directors and officers. The advance to a company controlled by a director for future office rent is a deposit for prepaid rent for fiscal 2005.

### (b) Balances payable:

The amounts payable to related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

	2004	2003
Due to a company controlled by a director (note 6(c))	\$ 52,447	\$ -
Due to Island Mountain Gold Mines Ltd.	-	124,631
Due to directors and officers	252,349	2,735
	\$ 304,796	\$ 127,366

The balance due to Island Mountain Gold Mines Ltd. at February 28, 2003 related primarily to the operating agreements for the exploration work programs described in note 5(b).

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

## 6. Related party balances and transactions (continued):

### (c) Related party transactions:

A summary of the amounts charged to the Company by directors, and by companies controlled by directors, is as follows:

	2004	2003
Exploration and development expenditures:		
Equipment rentals	\$ 51,458	\$ 76,625
Project administration fees	16,500	23,000
Administration fees on reimbursed expenditures	83,052	42,509
Consulting fees	6,168	12,026
Management fees	120,000	120,000
	<u>\$ 277,178</u>	<u>\$ 274,160</u>

A portion of the bulk sampling expenditures (note 5(b)) and substantially all of the other exploration and development expenditures incurred by the Company are charged from a company controlled by a director. These charges consist of equipment rentals, project administration fees, reimbursement of expenditures incurred on behalf of the Company and administration fees of 12% (to a maximum of \$8,000 per month) on such reimbursement of expenditures. Management believes the equipment rental charges and project administration fees are at fair values, compared to what the Company would be required to pay to third parties.

The Company is also charged \$5,000 per month for general management services by each of two directors (the president of the Company and the chief financial officer of the Company).

## 7. Mortgage payable:

In connection with the acquisition of land and a building near the Cariboo Gold Project, the vendors granted the Company a mortgage payable of \$70,000 that bears interest at 8% per annum, is payable in monthly instalments of \$534, including interest, and is due on January 1, 2005.

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

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## 8. Debentures payable:

On September 15, 2003, the Company issued 2,000 debentures with a principal amount of \$1,000 per debenture, for gross proceeds of \$2,000,000. The debentures mature on March 15, 2004, at which time the Company agrees to repay the principal amount of the debentures, plus a bonus equal to 20% of such principal amount. Should the Company not repay the debentures on maturity, interest will accrue on the debentures at a rate of 25% per annum, compounded monthly. The Company granted the debenture holders the option to elect to receive the principal and bonus due on maturity in the equivalent amount of refined gold, based on a price of US\$355 per troy ounce. The debentures are secured by a registered charge over the Company's assets.

To February 29, 2004, the Company accrued \$367,033 of the \$400,000 bonus due on maturity to debentures payable. In addition, the Company recorded an additional liability of \$272,375 for the value of the gold equivalent option granted, based on the estimated cost of the ounces of gold that the Company would have been required to purchase to settle the principal and bonus outstanding, using gold prices and foreign exchange rates at February 29, 2004.

The proceeds from the debentures may only be used to fund bulk sampling expenditures on the Company's Cariboo Gold Quartz property (note 5(b)). As a result, the 7.5% commission paid to the agent of the debenture offering, the related issue costs of \$75,323, the bonus accrual of \$367,033 and the gold equivalent adjustment of \$272,375, have been capitalized to the cost of the Cariboo Gold Quartz mineral property.

In connection with the issue of the debentures, the Company also issued 4,000,000 share purchase warrants to the holders of the debentures and 1,250,000 share purchase warrants to the Agent for the debenture offering, as compensation for services rendered. Each share purchase warrant is exercisable into one common share of the Company for \$0.15 per share for an eighteen month period. The fair value assigned to the share purchase warrants of \$313,694, calculated using the Black-Scholes option pricing model, was recognized as an additional cost of the financing.

Subsequent to February 29, 2004, the Company repaid the \$2,000,000 principal amount of the debentures and the \$400,000 bonus due, at a total cost to the Company of approximately \$2.6 million.

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

## 9. Capital stock:

### (a) Authorized capital:

200,000,000 (2003 - 100,000,000) common shares without par value

At its annual general meeting in 2003, the Company's shareholders approved an increase in the authorized common share capital from 100,000,000 common shares without par value to 200,000,000 common shares without par value.

### (b) Issued and outstanding:

	Number of shares	Total
Balance, February 28, 2002	58,623,528	\$ 19,376,073
Issued during the year:		
For cash by way of private placements	14,458,674	1,781,467
For cash on exercise of share purchase options (note 9(d))	1,405,986	223,250
For cash on exercise of share purchase warrants (note 9(e))	1,669,615	200,442
For acquisition of mineral properties (note 5(b))	641,534	90,820
On settlement of debts	1,653,015	229,437
Cancellation of escrow shares (note 9(f))	(471,541)	(37,019)
Share issuance costs	-	(121,649)
Balance, February 28, 2003	77,980,811	21,742,821
Issued during the year:		
For cash by way of private placements and public offerings	55,831,616	7,774,000
For cash on exercise of share purchase options (note 9(d))	572,300	86,845
For cash on exercise of share purchase warrants (note 9(e))	10,618,784	1,680,478
For acquisition of mineral properties (note 5(b))	450,000	70,000
For finder's fee on private placement	60,000	6,000
Share issuance costs	-	(434,387)
Balance, February 29, 2004	145,513,511	\$ 30,925,757

During fiscal 2004, the Company completed the following share transactions:

- (i) a public offering pursuant to a short form offering document filed under the policies of the TSX-V for 2,785,000 units at \$0.10 per unit. The 2,785,000 units consisted of a total of 2,685,000 flow-through common shares at \$0.10 per share, 100,000 non-flow-through common shares at \$0.10 per share and 2,785,000 non-flow-through share purchase warrants exercisable at \$0.15 per share for a one year period.
- (ii) a private placement for 3,212,000 units at \$0.125 per unit. The 3,212,000 units consisted of a total of 2,702,000 flow-through common shares at \$0.125 per share, 510,000 non-flow-through common shares at \$0.125 per share, 2,702,000 flow-through share purchase warrants exercisable at \$0.15 per share for a one year period and 510,000 non-flow-through share purchase warrants exercisable at \$0.15 per share for a one-year period.

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

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## 9. Capital stock (continued):

(b) Issued and outstanding (continued):

- (iii) a private placement for 2,450,000 units at \$0.12 per unit. The 2,450,000 units consisted of a total of 1,450,000 flow-through common shares at \$0.12 per share, 1,000,000 non-flow-through common shares at \$0.12 per share and 2,450,000 non-flow-through share purchase warrants exercisable at \$0.15 per share for a two year period.
- (iv) a private placement for 15,384,616 units at \$0.13 per unit. Each unit consisted of one non-flow-through common share and one half of one share purchase warrant exercisable at \$0.25 per share for an eighteen-month period.
- (v) a brokered private placement for 32,000,000 flow-through common shares at \$0.15 per share and 32,000,000 share purchase warrants to purchase 16,000,000 common shares exercisable at \$0.25 per share for an eighteen-month period. The Company paid an agents fee of \$48,000 and a commission of \$336,000 and 4,800,000 in agents options exercisable at \$0.15 per share for an eighteen-month period.

During fiscal 2003, the Company completed the following share transactions:

- (vi) a private placement for 1,200,000 units at \$0.45 per unit. The 1,200,000 units consisted of a total of 2,400,000 flow-through common shares at \$0.15 per share, 1,200,000 non-flow-through common shares at \$0.15 per share, 1,200,000 flow-through share purchase warrants exercisable at \$0.25 per share for a one-year period and 600,000 non-flow-through share purchase warrants exercisable at \$0.25 per share for a one-year period. In addition to its customary sales commission, the agent for this offering received 540,000 share purchase warrants exercisable at \$0.15 per share for a two-year period.
- (vii) three private placements totalling 4,590,000 units at \$0.10 per unit, of which 2,940,000 units were flow-through. Each unit consisted of one flow-through or non-flow-through common share and one share purchase warrant exercisable at \$0.15 per share for a one-year period.
- (viii) three private placements totalling 2,257,000 common shares at \$0.15 per share, of which 1,507,000 shares were flow-through. Included in these private placements were 1,097,000 share purchase warrants exercisable at \$0.20 per share for a one-year period, 500,000 share purchase warrants exercisable at \$0.20 per share in the first year and \$0.25 in the second year, and 66,000 share purchase warrants exercisable at \$0.15 in the first year and \$0.19 in the second year. The Company paid a finders fee of 35,000 shares in connection with the 500,000 share private placement.

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

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## 9. Capital stock (continued):

### (b) Issued and outstanding (continued):

- (ix) a private placement for 2,050,000 units at \$0.12 per unit, of which 1,870,000 units were flow-through. Each unit consisted of one flow-through or non-flow-through common share and one share purchase warrant exercisable for \$0.17 per share for a one-year period.
- (x) settlement of a total of \$192,418 of accounts payable through the issue of 1,282,824 common shares at \$0.15 per share and settlement of \$37,019 of amounts payable to a related party through the issue of 370,191 common shares at \$0.10 per share.

### (c) Flow-through shares:

During fiscal 2004, the Company issued a total of 53,777,308 flow-through common shares for cash consideration of \$7,750,250 and during fiscal 2003, the Company issued a total of 8,717,000 flow-through common shares for cash consideration of \$1,104,450 (note 9(b)).

Expenditures related to the use of flow-through share proceeds are included in mineral properties but are not available as a tax deduction to the Company as the tax benefits of these expenditures have been renounced to the investors (note 10). As of February 29, 2004, the Company is committed to spend \$5,706,395 of the funds received from flow-through shares on qualified exploration expenditures.

### (d) Share purchase options:

Pursuant to the policies of the TSX-V, the Company may grant incentive stock options to its officers, directors, employees and consultants. TSX-V policies permit the Company's directors to grant incentive stock options for the purchase of shares of the Company to persons in consideration for services. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual (maximum of 2% to any consultant). The exercise price of stock options is determined by the board of directors of the Company at the time of grant and may not be less than the closing price of the Company's shares on the trading day immediately preceding the date on which the option is granted and publicly announced, less an applicable discount, and may not otherwise be less than \$0.10 per share. Options have a maximum term of five years and terminate 90 days following the termination of the optionee's employment, except in the case of retirement, death or disability, in which case they terminate one year after the event. Vesting periods of options is determined at the time of granting of the options at the discretion of the board of directors. Once approved and vested, options are exercisable at any time.

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

## 9. Capital stock (continued):

### (d) Share purchase options (continued):

The continuity of the Company's share purchase options for the year ended February 29, 2004 and February 28, 2003, all of which are exercisable, are as follows:

Exercise prices	Expiry dates	Balance February 28, 2003	Granted	Exercised	Expired/cancelled	Balance February 29, 2004
\$ 0.50	August 30, 2003	1,750,397	-	-	(1,750,397)	-
\$ 0.15	August 31, 2003	15,000	-	-	(15,000)	-
\$ 0.25	May 10, 2004	1,162,500	-	(10,000)	(265,000)	887,500
\$ 0.15	May 28, 2005	1,668,333	-	(485,000)	(290,000)	893,333
\$ 0.17	June 9, 2005	384,318	-	-	(45,000)	339,318
\$ 0.17	August 2, 2005	792,911	-	-	(25,000)	767,911
\$ 0.15	June 22, 2005	-	4,800,000	(77,300)	-	4,722,700
\$ 0.11	October 30, 2006	-	5,025,000	-	(105,000)	4,920,000
		5,773,459	9,825,000	(572,300)	(2,495,397)	12,530,762

Weighted average exercise prices	\$0.28	\$0.13	\$0.15	\$0.41	\$0.14
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Exercise prices	Expiry dates	Balance February 28, 2002	Granted	Exercised	Expired/cancelled	Balance February 28, 2003
\$ 0.17	February 2, 2003	617,600	-	(617,600)	-	-
\$ 0.30	February 10, 2003	150,000	-	-	(150,000)	-
\$ 0.30	February 16, 2003	100,000	-	-	(100,000)	-
\$ 0.50	August 30, 2003	1,825,397	-	-	(75,000)	1,750,397
\$ 0.15	August 31, 2003	135,000	-	(75,000)	(45,000)	15,000
\$ 0.15	October 8, 2003	426,719	-	(421,719)	(5,000)	-
\$ 0.25	May 10, 2004	1,302,500	-	-	(140,000)	1,162,500
\$ 0.15	May 28, 2005	-	1,960,000	(291,667)	-	1,668,333
\$ 0.17	June 9, 2005	-	394,318	-	(10,000)	384,318
\$ 0.17	August 2, 2005	-	792,911	-	-	792,911
		4,557,216	3,147,229	(1,405,986)	(525,000)	5,773,459

Weighted average exercise prices	\$0.33	\$0.16	\$0.16	\$0.30	\$0.28
----------------------------------	--------	--------	--------	--------	--------

During fiscal 2004, the Company granted a total of 9,825,000 options. Of the total 9,825,000 options granted, 4,800,000 were granted to the agent on a brokered placement of 32,000,000 units (note 9(b)(v)), 315,000 were granted to non-employees and 4,710,000 were granted to employees and directors. All outstanding options are exercisable at year-end.



## notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

### 9. Capital stock (continued):

#### (d) Share purchase options (continued):

Subsequent to February 29, 2004, the Company granted incentive stock options to directors, officers, employees and consultants of the Company for the purchase of up to 7,199,153 common shares at an exercise price of \$0.20 per share, expiring March 26, 2007.

The fair value of options granted to non-employees during the year ended February 29, 2004 was estimated to be \$29,672 (2003 - \$142,995), which has been reflected in these financial statements as stock-based compensation expense and contributed surplus.

If the fair value method had been used to account for options granted to directors, officers and employees, on or after March 1, 2002, the Company's loss and loss per share for the years ended February 29, 2004 and February 28, 2003 would have been adjusted to the pro forma amounts indicated below:

	2004	2003
Loss for the year:		
As reported	\$ 1,330,441	\$ 1,184,070
Stock-based compensation to directors and employees	443,663	274,714
Pro forma	\$ 1,774,104	\$ 1,458,784
Basic and diluted loss per share:		
Reported	\$ 0.01	\$ 0.02
Pro forma	0.02	0.02

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2004	2003
Risk-free interest rate	3.09%	4.02%
Expected dividend yield	0%	0%
Expected stock price volatility	98%	137%
Expected option life	1.24 years	3 years
Weighted average fair value	\$ 0.09	\$ 0.13

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

# notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

## 9. Capital stock (continued):

### (e) Share purchase warrants:

The continuity of the Company's share purchase warrants for the years ended February 29, 2004 and February 28, 2003, are as follows:

Exercise prices	Expiry dates	Balance February 28, 2003	Issued	Exercised	Expired	Balance February 29, 2004
\$0.35	August 1, 2003	796,356	-	-	(796,356)	-
\$0.25	October 2, 2003	818,083	-	-	(818,083)	-
\$0.25	October 11, 2003	370,000	-	-	(370,000)	-
\$0.25	January 25, 2004	426,833	-	(144,000)	(282,833)	-
\$0.10	February 5, 2004	1,000,000	-	(1,000,000)	-	-
\$0.10	March 29, 2004 <sup>(1)</sup>	1,901,674	-	(283,784)	-	1,617,890
\$0.25	May 15, 2003	600,000	-	(42,000)	(558,000)	-
\$0.15	May 15, 2004	457,750	-	-	-	457,750
\$0.25	August 29, 2004	500,000	-	-	-	500,000
\$0.19	September 26, 2004	66,000	-	-	-	66,000
\$0.15	November 22, 2003	775,000	-	(775,000)	-	-
\$0.15	December 3, 2003	950,000	-	(950,000)	-	-
\$0.15	December 18, 2003	290,000	-	(290,000)	-	-
\$0.15	January 3, 2004	575,000	-	(575,000)	-	-
\$0.15	January 4, 2004	2,000,000	-	(2,000,000)	-	-
\$0.17	January 24, 2004	2,050,000	-	(1,670,000)	(380,000)	-
\$0.20	February 18, 2004	1,097,000	-	(997,000)	(100,000)	-
\$0.15	September 3, 2004	-	3,212,000	(372,000)	-	2,840,000
\$0.15	September 25, 2004	-	2,785,000	-	-	2,785,000
\$0.15	November 3, 2005	-	2,450,000	-	-	2,450,000
\$0.25	June 22, 2005	-	16,000,000	-	-	16,000,000
\$0.15	March 15, 2005 <sup>(2)</sup>	-	5,250,000	(1,520,000)	-	3,730,000
\$0.25	June 16, 2005	-	7,692,308	-	-	7,692,308
		14,673,696	37,389,308	(10,618,784)	(3,305,272)	38,138,948

<sup>(1)</sup> During fiscal 2004, the Company received regulatory approval to extend the expiry date of these share purchase warrants from March 29, 2003 to March 29, 2004.

<sup>(2)</sup> These share purchase warrants were issued in connection with the issue of debentures (note 8). The fair value of these share purchase warrants of \$313,694 has been reflected in these financial statements as debenture financing costs (in mineral properties) and contributed surplus.

## notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

### 9. Capital stock (continued):

#### (e) Share purchase warrants (continued):

Exercise prices	Expiry dates	Balance	Issued	Exercised	Expired	Balance
		February 28, 2002				February 28, 2003
\$0.15	August 20, 2002	2,236,485	-	(527,365)	(1,709,120)	-
\$0.35	August 20, 2002	26,100	-	-	(26,100)	-
\$0.25	October 5, 2002	868,750	-	-	(868,750)	-
\$0.35	August 1, 2003	796,356	-	-	-	796,356
\$0.25	September 24, 2002	333,333	-	-	(333,333)	-
\$0.25	October 2, 2003	818,083	-	-	-	818,083
\$0.25	October 11, 2003	370,000	-	-	-	370,000
\$0.25	January 25, 2004	426,833	-	-	-	426,833
\$0.10	January 25, 2003	1,015,000	-	(1,015,000)	-	-
\$0.10	February 5, 2004	1,000,000	-	-	-	1,000,000
\$0.10	March 29, 2003	-	1,926,674	(25,000)	-	1,901,674
\$0.25	December 31, 2002	-	1,200,000	(20,000)	(1,180,000)	-
\$0.25	May 15, 2003	-	600,000	-	-	600,000
\$0.15	May 15, 2004	-	540,000	(82,250)	-	457,750
\$0.20/0.25	August 29, 2003/2004	-	500,000	-	-	500,000
\$0.15/0.19	September 26, 2003/2004	-	66,000	-	-	66,000
\$0.15	November 22, 2003	-	775,000	-	-	775,000
\$0.15	December 3, 2003	-	950,000	-	-	950,000
\$0.15	December 18, 2003	-	290,000	-	-	290,000
\$0.15	January 3, 2004	-	575,000	-	-	575,000
\$0.15	January 4, 2004	-	2,000,000	-	-	2,000,000
\$0.17	January 24, 2004	-	2,050,000	-	-	2,050,000
\$0.20	February 18, 2004	-	1,097,000	-	-	1,097,000
		7,890,940	12,569,674	(1,669,615)	(4,117,303)	14,673,696

#### (f) Escrow shares:

At February 28, 2002, 496,875 of the issued shares were held in escrow. Shares held in escrow may not be released without the consent of the regulatory authorities.

During fiscal 1998, the Company filed an application with the regulatory authorities for the release of up to 126,684 performance shares from escrow, which was approved. However, to February 28, 2002, the shares had not yet been released from escrow. Pursuant to the underlying escrow agreements, the remaining escrow shares are subject to cancellation if the release criteria has not been met within certain time periods.

During fiscal 2003, the Company released 25,334 common shares from escrow, cancelled the remaining escrow shares and received regulatory approval to issue 370,191 shares at \$0.10 per share as a settlement of all amounts due to remaining escrow shareholders.

## notes to financial statements

EXPRESSED IN CANADIAN DOLLARS | FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

### 10. Income taxes:

Substantially all of the difference between the actual income tax expense (recovery) of nil and the expected income tax expense (recovery) based on the resource reduction rate of 35.6% relates to losses which have been offset by a valuation allowance.

The significant components of the Company's future income tax assets are as follows:

	2004	2003
Future income tax assets:		
Property and equipment	\$ 158,000	\$ 118,000
Mineral properties	-	342,000
Share issuance costs	294,000	30,000
Losses carried forward	990,000	867,000
Total future income tax assets	1,442,000	1,357,000
Valuation allowance	(881,000)	(1,357,000)
	561,000	-
Future income tax liabilities:		
Mineral properties	(561,000)	-
	\$ -	\$ -

At February 29, 2004, the Company has operating loss carry forwards for income tax purposes of approximately \$2.7 million that expire at various dates to 2011.

### 11. Segment disclosures:

The Company considers its business to comprise a single operating segment, being exploration of resource properties, within the geographic area of British Columbia, Canada.

### 12. Contingency:

During October 2003, the Company was charged by the Department of Fisheries and Oceans with a violation of section 36(3) of the federal Fisheries Act, by depositing a deleterious substance into waters frequented by fish. The outcome of this matter is not determinable at this time.

# management's discussion and analysis

FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2004

The following discussion and analysis of the operations, results, and financial position of the Company for the fiscal year ended February 28, 2004 should be read in conjunction with the February 28, 2004 Audited Financial Statements and the related Notes. The effective date of this report is July 15, 2004.

## Forward Looking Statements

Except for historical information, the Management's Discussion and Analysis ("MD&A") may contain forward looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements.

## Business Overview

The Company's principal business activities are the exploration and development of mineral properties located in the Cariboo area of central British Columbia. The main properties, for which the Company has an option to purchase, consist of three historic groups of contiguous Crown-Granted mineral claims namely Cariboo Group, Island Mountain Group and Mosquito Creek Group. Additional claims have been staked or acquired by the Company over the past several years.

The property is located surrounding the town of Wells, some 53 miles (85 km) east of Quesnel, British Columbia. The Cariboo Gold Belt has had a rich and extensive history starting with the discovery of placer gold in the 1860's. Recorded production from the Company's property and surrounding area is approximately 2.6 million ounces of placer gold and 1.2 million ounces of lode gold averaging 0.40 oz/t gold from mainly quartz vein and replacement style mineralization during the period 1933 to 1966.

## Current Operations

Underground exploration drilling consisted of 2,856 feet during the fiscal year. Subsequent to year end to July 15, 2004, 14,904 feet of underground exploration drilling was completed. 9,965 feet of surface exploration drilling was completed in the Bonanza Ledge area and 4,091 feet completed on the Myrtle property during the fiscal year for a total of 14,056 feet. From March 1, 2004 to present, 16,574 feet was drilled from surface in area of Bonanza Ledge and 1 hole on Myrtle for a length of 406 feet, totalling 16,980 feet of surface drilling.

In October, 2003 the British Columbia Ministry of Energy and Mines (MEM) approved a Bulk Sample Permit on the Company's Cariboo Gold Project allowing the Company to mine 10,000 tonnes of mineralized material. A 500-foot underground decline was started, located at the headwaters of Lowhee Creek and Stouts Gulch to intersect the Bonanza Ledge Zone, discovered by the Company in the spring of 2000. The Company selected ROKTEK Services Inc. from Prince George, British Columbia, an unrelated third party, as the general contractor for the decline and extraction process. Mineralized material was hauled 2.6 kilometers on gravel through Barkerville Historic Town and the remainder of the trucking was on new asphalt to Imperial Metals Corporation's Mount Polly Mill processing facility.

The Bulk Sampling Program being carried out on the Cariboo Gold Project encompasses the former producing Cariboo Gold Quartz Mine and the Hardscrabble Tungsten Mine on International Wayside Gold Mines Ltd.'s property; jointly held with Island Mountain Gold Mines Ltd. are the Aurum, Island Mountain, and the Mosquito Creek Gold mines (now on care and maintenance); and the Cariboo Hudson Gold & Silver mine and Cariboo Thompson Gold & silver mine on Golden Cariboo Resources Ltd. property.

The Cariboo Gold Project's land holdings now cover 456 square kilometres or 170 square miles covering 57 km (34 miles) in length and over 8 km (5 miles) in width. In the Barkerville Camp, 79 creeks have reported placer gold production.

For more information please visit the Company's web site at [www.wayside-gold.com](http://www.wayside-gold.com).

# management's discussion and analysis

FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2004

## Year in Review

The Company was successful in re-structuring a new Option Agreement (the "Option") with Mosquito Creek Consolidated Gold Mines Limited ("Mosquito") on the Cariboo Gold Quartz Mineral Property, the Island Mountain Mineral Property, and the Mosquito Creek Mineral Property. The Company has a new amended agreement that provides the Company the exclusive right to extract at any time prior to the exercise of the Option, a bulk sample, under certain conditions. In consideration of the re-structuring of the Option Agreement, the Company made cash payments of \$500,000, and is required to make further cash payments totaling \$ 5,000,000 over a three-year period, with the larger payment of \$3,500,000 being due on or before December 31, 2006.

In September 2003 the Company issued 2,000 debentures at a price of \$1,000 per debenture to raise \$2,000,000 to finance the bulk sampling program and the current payment obligation under the new Option Agreement with Mosquito. The debentures are for six months maturing on March 15, 2004 (the "Maturity Date") and will be interest free until the Maturity date. The debentures are unsecured but will rank ahead of all equity and outstanding debt of the Company. The debentures provide for a 20% (\$400,000) bonus at maturity. If the Debentures are not repaid by the Maturity Date, interest will become payable from the Maturity Date at an annual rate 25% of the outstanding principal amount and bonus, compounded monthly. Ten days prior to the Maturity Date or within 10 days of receipt of a notice of repayment, the holders of the Debentures may elect to be repaid the principal and bonus in either cash or gold bullion bars at a price of US \$355 per troy ounce, or any combination thereof. Subscribers of the Debentures also received share purchase warrants on the basis of 2,000 warrants for each Debenture purchased. Each Warrant entitles the holder to purchase a common share of the Company at an exercise price of \$0.15 per common share for a period of 18 months from the date of closing the debenture offering. The Company paid commissions of 7% (\$150,000). Subsequent to year end, the Company received notice from debenture holders of their intention to receive gold or the cash equivalent of gold at Maturity, based on the US \$395 price of gold at Maturity and the total principal amount of the debenture plus the bonus was paid.

During the year, the Company commenced the bulk sampling development program on the Bonanza Ledge Zone. On February 23, 2004 trucking started and subsequently, approximately 12,000 wet tonnes were removed and trucked to the Mount Polley Mill in preparation for processing. An extensive spring remediation plan was put into place to ensure the integrity of sediment and erosion control throughout the Stout's Gulch drainage area. Drilling on the Myrtle Property was completed and an intensive exploration drilling plan was permitted in the Bonanza Ledge area. Two contract drills were on site. Presently there are 4 drilling companies working, one conducting underground drilling and 3 surface drilling.

Further full details, please visit the Company's web-site [www.wayside-gold.com](http://www.wayside-gold.com).

Roscoe Postle Associates Inc. ("RPA") was retained by the Company to prepare a Pre-Feasibility Study on the Company's Cow Mountain and Bonanza Ledge Properties.

In a news release dated April 11, 2003, and also reported in current and previous MD&A's, the Company announced the conclusions of a report dated April 8, 2003 (the "DJP Report") prepared by DJP Consulting to the effect that the Cow Mountain and Bonanza Ledge Properties contained a probable mineral reserve of 3,427,000 tons grading 0.086 ounces of gold per ton. The DJP Report was filed on SEDAR in April 11, 2003 after being reviewed by the TSX Venture Exchange. As a result of a review by the British Columbia Securities Commission, in February, 2004, the Company amended this MD&A and published a news release on March 12, 2004 to clarify the Company's earlier disclosure with respect to the Cow Mountain and Bonanza Ledge Properties. The Company notes that the DJP Report is a scoping study analysis and that no mineral reserves have yet been established for the Properties. The DJP Report does not qualify as a preliminary assessment report, does not comply in certain material respects with National Instrument 43-101, and should not be relied upon by the public in its current form. On April 22, 2004 this report was retracted in its entirety. RPA was retained on March 12, 2004 to carry out the work required in order to augment the DJP Report to the standard of a preliminary feasibility study. It is anticipated that this work will include a review of the mineral resource estimate, mine design and production schedule, geotechnical studies, metallurgical analysis, tailings disposal studies and other environmental and permitting parameters. In addition, RPA will prepare a more comprehensive cost analysis.

# management's discussion and analysis

FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2004

## Results of Operations

The Company reports a net loss of \$1,330,441 for the year ended February 29, 2004 or \$0.01 per share compared to a net loss of \$1,184,070 or \$0.02 per share for the year ended February 28, 2003.

Administrative and corporate costs have increased from \$1,185,084 in 2003 to \$1,366,099 in 2004. The significant increase was in Shareholder communications of approximately 98% from \$289,511 to \$575,555. Included in Shareholder communications is the cost for attending tradeshows in London England, Chicago, San Francisco, Las Vegas, Orlando, New York, Montreal, Toronto, Vancouver, Calgary and Kelowna. This year the Company attended and participated in several more road shows held in London, England, Paris, Brussels, Amsterdam, Geneva, Zurich, Edmonton, Calgary, Toronto, Montreal, New York, Chicago, Las Vegas, and Boston, compared to last year.

There were no write-downs or write-offs during the 2004 or 2003 fiscal years. Mineral property expenditures increased from \$1,064,67 in 2003 to \$4,552,196 in 2004. The increase is a result of the expanded exploration activity during this year including \$1,790,064 of expenses on the separate bulk sample program, \$1,178,425 of debenture financing costs and \$672,500 of net acquisition costs. The Company raised net proceeds of \$7,774,000 in financing by the issuance of 55,831,616 units (common shares and warrants). There was also 11,191,084 shares issued on the exercise of options and warrants for proceeds of \$1,767,323.

The Company accrued \$367,033 of the \$400,000 bonus due on maturity for debentures payable. In addition the Company recorded an additional liability of \$272,375 for the value of the gold equivalent option granted, based on the estimated cost of the ounces of gold that the Company would have been required to purchase to settle the principal and bonus outstanding.

## Related Party Transactions

Under a Management and Services Agreement between the Company and the President of the Company, the Company is charged \$5,000 per month. The amount charged to the Company this year was \$60,000. The President provides strategic planning, identification and negotiations for the Company's mineral properties, and is responsible for the oversight of the Company's interests in and mining operations. The Company is also charged a fee by the Chief Financial Officer who is also a Director of the Company. The amount charged this year was \$60,000. The CFO provides oversight of staff, auditors, and is responsible for the preparation and delivery of continuous disclosure documents.

Standard Drilling & Engineering Ltd. ("Standard"), a private company controlled by the Company's President, is party to an agreement with the Company dated January 1, 2004 to supervise and administer the exploration work carried out on the Company's mineral properties. Pursuant to the terms of this agreement Standard receives and administration fees and reimbursement of expenditures of 12% (to a maximum of \$8,000 per month on expenditure reimbursements). During the fiscal year Standard charged the Company \$51,458 for equipment rentals, \$16,500 for project administration fees and \$83,052 for the administration fee on reimbursed expenditures.

# management's discussion and analysis

FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2004

## Selected Annual Information

The following are highlights of financial data on the Company for the most recently completed three financial years:

	Fiscal year ended February 29,		
	2004	2003	2002
Loss before extraordinary items	\$ 1,330,441	\$ 1,184,070	\$ 1,077,922
Net Loss	1,330,441	1,184,070	1,077,922
Loss Per Share	0.01	0.02	0.02
Total Assets	22,327,781	11,122,902	10,035,619
Total Liabilities	3,600,652	585,634	755,856
Working Capital (deficiency)	3,371,787	(327,428)	(730,169)

## Summary of Quarterly Results

Expressed in Canadian \$

Period ended	2004 Feb. 29 Q4	2003 Nov. 30 Q3	2003 Aug. 31 Q2	2003 May 31 Q1	2003 Feb. 28 Q4	2002 Nov. 30 Q3	2002 Aug. 31 Q2	2002 May 31 Q1
Total Revenue	-	-	-	-	-	-	-	-
Loss before extraordinary items	\$ 450,473	\$ 389,020	\$ 300,324	\$ 190,624	\$ 304,102	\$ 282,936	\$ 280,186	\$ 243,367
Basic loss per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Diluted loss per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net loss	450,473	389,020	300,324	190,624	304,102	282,936	280,186	243,367
Basic loss per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Diluted loss per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

## Liquidity and Capital Resources

At this time, the Company has no operating revenues and has working capital of approximately \$3,381,760 at February 29, 2004. The ability of the Company to conduct exploration of its mineral property interests and to meet its planned business objections is dependent upon it completing a new equity financing.

## Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

## Critical Accounting Estimates

The Company's critical accounting estimates, where significant management judgements are involved relate to recovery of mineral property costs (see Notes 1 and 2 (e) to the February 29, 2004 year end audited financial statements for the Company's significant accounting policies).



# management's discussion and analysis

FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2004

## Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, loans payable, promissory notes payable, debentures payable, and amounts owing to related parties. Terms of the financial instruments are fully disclosed in the Company's financial statements. It is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from its financial instruments and that their fair values approximate their carrying values unless otherwise noted.

## Risks

Mineral exploration and development involve a high degree of risk and few properties are ultimately developed into producing mines. There is no assurance that the Company's future exploration and development activities will result in any discoveries of commercial bodies of ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and 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 a mineral deposit being unprofitable.

## Disclosure for Venture Issuers without Significant Revenue

The following table is a breakdown of the material components listed for the three most recently completed financial years:

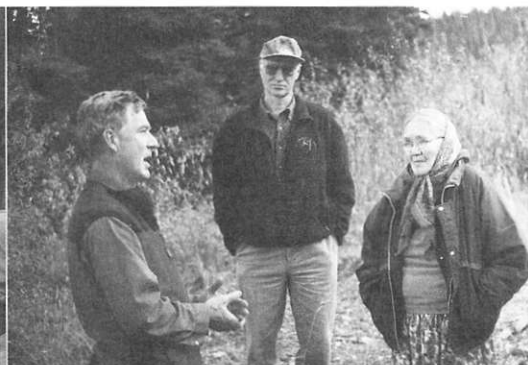
	Fiscal year ended February, 29		
	2004	2003	2002
Capitalized exploration and development costs	\$ 2,701,271	\$ 979,152	\$ 816,626
Expensed research & development costs	-	-	-
Deferred development costs	-	-	-
General & administration costs	1,366,099	1,185,084	1,008,424
Material costs, whether capitalized, deferred or expensed, not referred to in above	-	-	-

## Additional Information

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).



The Honorable Ralph Sultan, MLA, Chair of the British Columbia Mining Task Force examining drill core at the Bonanza Ledge Zone.



Dr. Richard Hall and John Dewhirst of Archeo Research Ltd. with Katherine Peters on top of Cow Mountain.



Geologist Julie Kadar examines drill core underground at Bonanza Ledge Zone.

# corporate information

## **CORPORATE HEADQUARTERS**

15th Floor  
675 West Hastings Street  
Vancouver, British Columbia  
Canada V6B 1N2  
Tel: (604) 669-6463  
Fax: (604) 669-3041  
Toll Free: 1-800-662-9688  
Email: info@wayside-gold.com  
Website: wayside-gold.com

## **FIELD OFFICE**

P.O. Box 247  
12422 Barkerville Highway  
Wells, British Columbia  
Canada V0K 2R0  
Tel: (250) 994-3337  
Fax: (250) 994-3338

## **BOARD OF DIRECTORS AND OFFICERS**

J. Frank Callaghan  
Director, President and CEO  
H.K. (Ken) Maddison, F.C.A.,  
Director and CFO  
David M. Stone, MBA, Ph.D., P.Eng.  
Director  
J. Scott Bending, P.Geo., B.Sc.  
Director  
Audrey Dinning  
Corporate Secretary

## **CONSULTING GEOLOGISTS**

Michael G. Rasmussen, B.Sc., M.Sc., Ph.D.  
John Childs, Ph.D., B.Sc., M.Sc.  
V.K. Cambell, Ph.D., P.Geo.  
Richard Hall, Ph.D., P. Eng.  
Godfrey Walton, M.Sc., P.Geo.  
Michael Hibbitts, B.Sc., P. Geo.  
Jean Pautler, B.Sc., P. Geo.  
Shaun Dykes, P. Geo.  
Robert Reid, P. Geo.  
Julie Kadar, B.Sc.  
Henry Follman, B.Sc., Geo.  
Dan McGrane, B.Sc., M.Sc.  
Ed Gates, B.Sc., M.Sc.  
Jim Yin, B.Sc., M.Sc.  
Dasha Duba, B.Sc., M.Sc.  
Charlie Moore, B.Sc., Geo.  
Janet Riddell, B.Sc., M.Sc.  
Dave Johnson, B.Sc.  
Ken Lord, B.Sc.  
Elvira Ryan, B.Sc. (Hon.)  
Panterra Geoservices Inc.  
Giroux Consultants Ltd.  
John V. Tully & Associates

## **CONSULTING ENGINEERS**

Roscoe Postle Associates Inc.  
Minefill Services Inc.  
Golder Associates  
Glenn O'Gorman, B.Sc., P. Eng.  
DJP Consulting

## **ANTHROPOLOGY**

Archeo Research Ltd.

## **ARCHEOLOGY**

ARCAS Consulting Archeologists Ltd.

## **TECHNICIANS**

Groma Geomatics Ltd.  
NAMPCY Solutions Ltd.  
David Nadin  
Paul Guiguet Surveying  
Angelique Justason

## **GOVERNMENT & FIRST NATIONS**

Jo Harris and Associates

## **ENVIRONMENTAL CONSULTANTS**

AMEC Earth & Environmental  
Cariboo EnviroTech Ltd.  
Knight Piesold Ltd.

## **GENERAL CONTRACTORS**

Wright Contracting Ltd.  
Eagle Mapping Services Ltd.  
J. Kopetski Ltd.  
Pollard Equipment Ltd.  
Bob Graham Bulk Fuel Services Ltd.  
Roktek Services Inc.  
Commercial Electrical Services  
Boychuk Contracting  
Veritas Development  
Doug Merrick Contracting  
Meora Rose Ltd.

## **DRILLING CONTRACTORS**

Standard Drilling & Engineering Ltd.  
F. Boisvenu Drilling Ltd.  
Hardrock Drilling Ltd.  
F. B. Drilling Ltd.

## **SUPPORT SERVICES**

White Cap Motor Inn  
Wells Hotel  
Northwoods Inn  
White Gold Adventures  
Cariboo Joy RV Park  
Wells Apartments  
Wells Service Ltd.  
Prime Truck Rentals  
Dueck Chevrolet

## **MEDIA RELATIONS**

Canam Media International Inc.

## **PHOTOGRAPHY**

Studio Grandell Photography  
Jo Harris  
BC Archives

## **TRANSFER AGENT**

Computershare Trust Company  
of Canada

## **BANK**

Bank of Montreal  
Canadian Imperial Bank of Commerce

## **AUDITORS**

KPMG LLP, Chartered Accountants

## **LEGAL COUNSEL**

Vector Corporate Finance Lawyers  
Anfield, Sujir, Kennedy & Durno  
Gowlings Lafleur Henderson LLP

## **SHARE STRUCTURE (FEB.28,2004)**

Total Authorized: 200,000,000  
Shares Outstanding: 145,513,511  
Fully Diluted: 196,183,211

## **STOCK EXCHANGE LISTING**

TSX Venture Exchange  
Trading Symbol: IWA  
CUSIP Number: 946910 10 5  
SEC Registration #: 12g3-2(b) 82-1606  
Standard and Poors Registered



**tsx venture** EXCHANGE

TRADING SYMBOL: IWA

INTERNATIONAL WAYSIDE GOLD MINES LTD.

15TH FLOOR  
675 WEST HASTINGS STREET  
VANCOUVER, BRITISH COLUMBIA  
CANADA V6B 1N2

TEL: 604 669 6463  
FAX: 604 669 3041  
TOLL FREE: 1 800 663 9688  
EMAIL: [INFO@WAYSIDE-GOLD.COM](mailto:INFO@WAYSIDE-GOLD.COM)

[WWW.WAYSIDE-GOLD.COM](http://WWW.WAYSIDE-GOLD.COM)