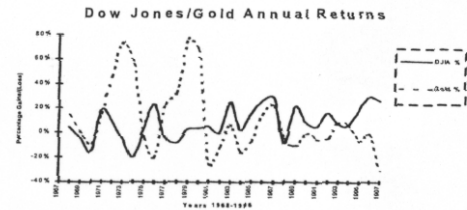


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Gold



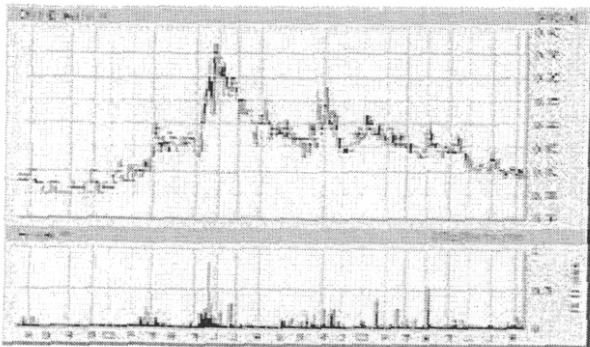
& Technology Stocks

Weekly Hotline

(Now in our 22nd Year)

August 16, 2003

Southern Rio Resources



Traded: (CDNX: SNZ)

Price: 8/15/03: US\$0.072

Shares Outstanding: 25,600,000

Insider Holdings: Approx. 6,656,000

Market Capitalization: US \$1.8 million

Gold Resource: 112,000 ounces

Quality Rating: "C"

That a company like Southern Rio could still be available at a mere US\$0.072, is testimony to the fact that we are still in the very, very early stages of a bull market in gold. In the early stages of a bull market, also known as the accumulation phase, when fortunes are made because it is in this stage when the very best values are there for the taking.

As a "C" quality stock, Southern Rio is certainly not a blue chip gold mining stock. But there is little doubt in my mind that it represents enormous value for speculative investors who understand the following: A) That we are in the early stages of a secular bull market in gold. B)

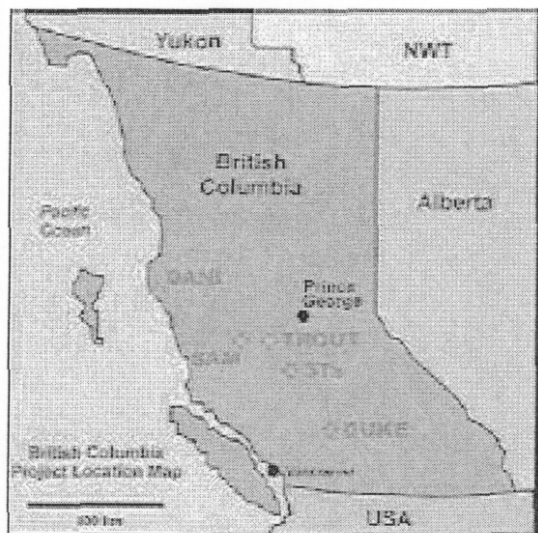
That investing in mine exploration stocks requires patience and sometimes a time horizon of years rather than months and C) That the gold and silver values outlined thus far by Southern Rio on its B.C. properties, represent a very promising start toward what could be the making of a producing gold mining firm.

The primary project of focus for Southern Rio at this time is the 3T's located in south central British Columbia. The 3T's property includes the Taken, Tam and Tsacha properties shown below on the right.

A resource of 112,000 ounces of gold and 987,000 ounces of silver from 470,000 tonnes has already been outlined from the Tommy vein shown on the Tsacha property. That works out to an average grade of about 0.21 oz. gold/tonne and 1.85 oz. silver per tonne. However, based on the following factors, the resource from the Tsacha property is most likely to be increased significantly: 1) The resource does not take into consideration the extended length of the vein by another 400 meters based on exploration by Southern Rio last year. 2) It does not take into consideration, gold and silver mineralization that exists in the Tommy vein that dips under a flat lying magma intrusive or sill. 3) Nor does it take into consideration any gold/silver mineralization contained in the parallel veins shown above on either side of the Tommy vein. At this juncture, open cut mining could conceivably take place from the portion of the vein that lies above the

sill while underground mining would be required from the vein below the sill. Given the current price of gold and silver, and given the grades and

width of the Tommy vein, underground mining here could conceivably be viable.

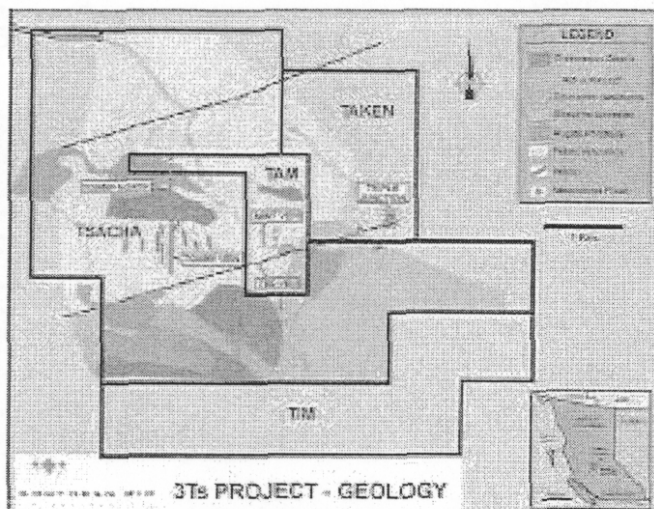


This fall the company will begin to actively explore the TAM property where high grade values have also been reported over the years. The Ted vein in particular is of interest at this time. It has been traced thus far for 250 meters. The highest grade value reported to date from the Ted vein was a 22 meter intersection that graded 0.25 oz./tonne gold and 11.1 oz silver per tonne. More commonly grades have been in the 0.04 oz./tonne to 0.08 oz./tonne range. Grades appear to be getting richer at depth. Not revealed from the map above is the fact that the Ted vein now trends down toward the Tsacha property and management believes it likely that it extends on to the Tsacha. Also of considerable interest on the Tam property is the Mint zone where a 2 meter intersection grading 0.24 oz. gold/ton and 2.27 oz./tonne silver was reported.

The third "T" property, the Taken was previously explored by Phelps Dodge. This property contains a cluster of mineralized boulders that have graded up to 0.54 oz.gold/tonne and 4.2 oz. silver/tonne. Management expects to do some more work on this property this fall as well.

Economic viability

Of course it's too early to talk seriously about the potential economics for the 3Ts project. But



the project does have some positives factors going for it at this early stage of development. In addition to grades and mining widths noted above, good infrastructure, a ready labor force, mining friendly politics locally and now also on a provincial level and apparently favorable metallurgy. Based on early mineralogical studies to date, it seems a large percentage of the gold and silver should be free milling. Nor does there appear to be any nasty minerals accompanying the gold and silver mineralization that could cause trouble longer term

What is apparent at this early stage of development is that a gold/silver resource substantially bigger than the 112,000 ounces outlined thus far would be necessary to render the project economically viable. Even if one assumed modest capital costs, at current gold/silver prices, I would expect a gold resource of at least 500,000 ounces would be a necessary precondition for a bankable feasibility study on the 3T's. But based on the numerous factors noted above, a 500,000 ounce resource or even one two to four times that level would appear very possible. At the very least, I believe the 3T's have a good shot at developing an economic deposit or deposits. In my view the only reason this company's shares are at their

current level is because this stock has not yet begun to show up on investor radar screens.

Other Properties

On the map above, you will note two other projects near the 3T's, namely the Trout and the Sam properties. Southern Rio holds a 100% interest in both of these properties and both show good promise based on past exploration. On the Trout claims one drill intercept scored 0.10 oz gold/tonne over 20 meters. And on the Sam claims one drill intercept graded 0.20 oz. gold/tonne over 1.5 meters. Obviously development of these two properties are early, but the company's consulting geologist Robert Weicker told your editor he believes this entire region of BC, known as the Nechako Plateau, where the 3T's, the Trout and the Sam claims are located, is prospective for gold and silver mineralization. The other two properties located on the map are copper targets and for one reason or another are not considered high priority at this time.

Management

The management of Southern Rio is strong technically especially when it comes to exploration. The company may also possess the core talent to operate a small mine themselves should that possibility lie in the company's future. The President & CEO is Lindsay R. Bottomer, who has 30 years of experience in mineral exploration and development, the last 13 years based in Vancouver. Former Director of Canadian Exploration with Echo Bay Mines Ltd, and VP New Projects with Prime Equities International (Pezim Group). Past President (1998-2000) of the BC & Yukon Chamber of Mines.

Summary:

This company has had some early exploration success that should continue with this fall's drill program. It isn't difficult to envision the current 112,000 ounce gold and million ounce silver resource be expanded by a factor of at least several times that from the 3T's project. We speculate on those possibilities on the basis of the factors pointed out above. If we are right, it is difficult to see how this stock will trade anywhere near its current price going forward. We would be buyers of this stock up to U.S. \$0.25 based on the existing gold resource and prospects currently in place. With some good results this fall, we would consider lifting our target price. But if you buy this stock at under US\$0.25 as one of many gold stocks in your portfolio, we think the downside risk to your portfolio is minimal compared to the upside which we consider to be very substantial. For additional information, contact Jeffrey Wilson at (604) 687-3959 and/or visit the company's web site at www.southernrio.com.

Buying Canadian Stocks

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