



**PINNACLE MINES LTD.**  
**formally Broadlands Resources Ltd.**

**FINANCIAL STATEMENTS**  
Unaudited  
**JUNE 30, 2003**

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**PINNACLE MINES LTD.**  
**formally Broadlands Resources Ltd.**

**BALANCE SHEET**

Unaudited

**AS AT June 30, 2003**

	June 30, 2003	June 30, 2002	December 31, 2002
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash	\$ 1,473	\$ 126	\$ 333
Accounts receivable	3,488	4,433	2,645
Prepaid expenses	-	500	-
	4,961	5,059	2,978
<b>LONG TERM</b>			
Resource Property (note 3)	44,540	44,540	44,540
	\$ 49,501	49,599	\$ 47,518
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	\$ 77,399	\$ 91,750	\$ 80,963
Due to Doublestar Resources Ltd.	67,711	25,425	43,880
	145,110	117,175	80,963
SHARE CAPITAL	10,172,285	10,172,285	10,172,285
CONTRIBUTED SURPLUS	14,034	14,034	14,034
DEFICIT	(10,281,928)	(10,253,895)	(10,263,643)
	(95,609)	(67,576)	(77,325)
	\$ 49,501	49,599	\$ 3,638

**Approved on Behalf of the Board**

"Paul Saxton" Director

Paul Saxton

"Alan Savage" Director

Alan Savage

The accompanying notes form an integral part of these financial statements

**PINNACLE MINES LTD.**  
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**STATEMENT OF OPERATIONS AND DEFICIT**  
Unaudited

	<b>Three Months Ended June 30, 2003</b>		<b>Six Months Ended June 30, 2003</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>EXPENSES</b>				
Consultants	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-
Listing and transfer fees	7,208	3,888	11,288	7,174
Office	762	1,109	994	18,219
Professional fees	5,671	6,581	5,671	6,581
Property acquisition expenditures	-	-	-	3,928
Travel and entertainment	331	-	331	-
<b>Income (loss) from operations</b>	<b>(13,972)</b>	<b>(11,578)</b>	<b>(18,284)</b>	<b>(35,902)</b>
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>(10,267,956)</b>	<b>(10,242,316)</b>	<b>(10,263,644)</b>	<b>(10,217,993)</b>
<b>DEFICIT, END OF PERIOD</b>	<b>(10,281,928)</b>	<b>(10,253,894)</b>	<b>(10,281,928)</b>	<b>(10,253,895)</b>
<b>LOSS PER SHARE</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>

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**PINNACLE MINES LTD.**  
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**STATEMENT OF CASH FLOWS**  
Unaudited

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2003</b>		<b>June 30, 2003</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Loss for period	\$ (13,972)	\$ (11,578)	\$ (18,284)	\$ (35,902)
	-	-	-	-
	(13,972)	(11,578)	(18,284)	(35,902)
Net change in non-cash working capital items	13,503	14,006	19,424	40,512
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
	(469)	2,428	1,140	4,610
<b>CASH FROM INVESTING ACTIVITIES</b>				
Mining property expenditures	-	-	-	(5,000)
<b>(DECREASE) INCREASE IN CASH</b>				
	(469)	2,428	1,140	(390)
<b>CASH, BEGINNING OF PERIOD</b>				
	1,952	(2,301)	333	516
<b>CASH, END OF PERIOD</b>				
	\$ 1,483	\$ 127	\$ 1,473	\$ 127

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**PINNACLE MINES LTD.**  
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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Pinnacle Mines Ltd., formally Broadlands Resources Ltd., (the Company) is a public Company formed April 6, 1995 by the amalgamation of Broadlands Resources Ltd. and Shorewood Explorations Ltd. under the laws of the Province of British Columbia. Its shares, which are widely held, are traded on the Canadian Venture Exchange ("CDNX"). The Company's business is to acquire, explore and develop interests in mining projects relating to precious metals. The Company considers itself to be an exploration stage company.

The Company has a deficit of \$141,149 in working capital as at June 30, 2003. The Company's ability to continue operation is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management is actively pursuing such additional financing.

These financial statements have been prepared on the going concern basis, which assumes the Company will continue operations and will be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company is unable to continue operations or does not receive continued financial support from its shareholders.

**2. SIGNIFICANT ACCOUNTING POLICIES**

(a) Cash and Cash Equivalents

Cash and cash equivalents include short-term money market instruments which have a maturity of three months or less from the date of inception.

(b) Capital Assets

Capital assets are stated at cost and amortized on the declining balance method at 30% per year, with one-half taken in the year of acquisition.

(c) Deferred Expenditures

Acquisition costs of resource properties, rights and options together with direct exploration and development expenditures thereon are deferred in the accounts on a property-by-property basis until the property is brought into production, sold or abandoned. The deferred expenditures will be amortized using the unit-of-production method based upon the estimated proven reserves or written off if the property is sold or abandoned

On a periodic basis, management reviews the carrying values of deferred mineral property acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value. In the event that management determines that there has been an impairment in value in any of the properties, the carrying value will be written down or written off, as appropriate.

(d) Share Option Plan

The Company has a share option plan as described in Note 4(d). No compensation expense is recognized for this plan when shares or share options are issued pursuant to the plan. Consideration paid for shares on exercise of the share options is credited to share capital.

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**2. SIGNIFICANT ACCOUNTING POLICIES**

(e) Loss Per Share

Loss per share computations are based on the weighted average number of common shares outstanding during the year. Fully diluted loss per share has not been presented since the exercise of options and warrants would be anti-dilutive.

(f) Use Of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

(g) Income Tax

During the year ended December 31, 2000 the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for income taxes. Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. These new standards also require that the future income tax asset and liabilities be measured using tax rates and laws that are expected to apply when the temporary difference are expected to reverse.

The Company has determined that there is no impact to the financial statements for the current year for this new recommendation.

**3. RESOURCE PROPERTY**

During 2000 the Company signed an Option Agreement to earn 50% interest in the Mann Platinum/Palladium Property from Tres-Or Resources Ltd. The property consist of 19 contiguous claim units covering approximately 304 hectares located in the Mann and Duff Townships, 47 kilometers northeast of Timmins, Ontario. The Option Agreement requires the Company to make cash payments totalling \$68,000 and issue 150,000 shares of common stock of the Company. As at December 31, 2002 the Company had made cash payments totalling \$44,540 and had issued 150,000 common shares.

At the end of the first quarter of 2002 Management decided that the test results did not warrant further expenditures on exploration. The Company is not required to make any further payments.

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**4. SHAREHOLDERS' EQUITY**

(a) Authorized  
 100,000,000 Common shares without par value

<u>(b) Issued</u>	<u>Number</u>	<u>Amount</u>
Issued at December 31, 1998	14,691,845	\$ 9,756,207
Share consolidation (note 5 (c))	(11,018,884)	-
Shares issued	2,012,500	415,112
Escrow shares returned to treasury (note 5(f))	(5,284)	(14,034)
Issued as at December 31, 2000	<u>5,680,177</u>	<u>10,157,285</u>
Shares issued as part of resource property acquisition (note 3)	150,000	-
Shares issued as settlement for accounts payable (note 10)	100,000	-
Issued as at June 30, 2003	<u>5,930,177</u>	<u>\$ 10,157,285</u>

(c) Share Consolidation

During the year ended December 31, 1999 by way of a special resolution at an extraordinary general meeting held on February 1, 1999 the shareholders approved a share consolidation of the Company's share capital on a one new share for four old shares basis. Subsequent to this special resolution being passed the Company had 3,672,961 common shares issued, without par value.

On June 30, 2003 the Company, by way of a special resolution at an extraordinary general meeting of shareholders, approved a share consolidation on a one new share for five old shares basis. Subsequent to this resolution the Company had 1,186,034 common shares issued, without par value.

(d) Stock Options

During 1997 the Company established a share option plan (the "1997 Plan") whereby the board of directors may from time to time grant to directors, officers, employees or consultants stock options. The maximum number of shares subject to the plan, in the aggregate, may not exceed 20% of the Company's issued shares. The maximum term of any option will be ten years, but generally options are granted for five years or less. The exercise price of an option is not less than the greater of \$0.15 per share or the minimum price permitted under the policies of the Canadian Venture Exchange. Options vest over a two year period.

This plan was revised on June 30, 2003. The maximum number of shares subject to the plan, in the aggregate, may not exceed 10% of the Company's issued shares.

At the end of June 30, 2003 and 2002 there were no outstanding stock options.

(e) Warrants

At the end of the period June 30, 2003 and June 30, 2002 there were no outstanding warrants.

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(f) Escrow Shares

The Company has 7,016 shares remaining in escrow at June 30, 2003.

**5. COMMITMENTS**

The Company has minimum lease commitments of \$12,000 in the year 2003.

**6. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and accruals. It is management's opinion that the Company is not exposed to significant interest, foreign currency or credit risks arising from these financial instruments. The Company limits its exposure to credit loss by placing its cash and term deposits with high credit quality financial institutions. The fair value of these financial instruments approximate their carrying values.

**7. SUBSEQUENT EVENTS**

Subsequent to the end of the year, the Company:

- a) plans to issue 500,000 shares at \$0.123 to two directors of the Company to settle accounts payable totalling \$61,152.43.