



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

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

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## **Management's Responsibility for Financial Reporting**

The accompanying financial statements of Pinnacle Mines Ltd. have been prepared in accordance with Canadian generally accepted accounting principals. Financial information presented throughout the Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity of the financial statements. Systems of internal control are designed and maintained by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. This committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the financial statements before they are presented to the Board of Directors for approval.

The independent auditors have examined these financial statements and their report follows.

**Pinnacle Mines Ltd.**  
formerly Broadlands Resources Ltd.

*"Andrew W. Bowering"*  
Andrew W. Bowering  
President, CEO & Director

*"Paul F. Saxton"*  
Paul F. Saxton  
Chairman & Director

West Vancouver, British Columbia  
February 26, 2004


## **Auditor's Report**

To the Shareholders of:  
Pinnacle Mines Ltd.

We have audited the balance sheet of Pinnacle Mines Ltd. as at December 31, 2003 and the statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



*"Shannon & Stewart"*  
Certified General Accountants  
West Vancouver, BC  
February 26, 2004

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

**BALANCE SHEET**  
**AS AT December 31, 2003**

	2003	2002
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 80,422	\$ 333
Accounts receivable	1,600	2,645
	82,022	2,978
<b>LONG TERM</b>		
Mineral Property Interests (Note 3)	178,239	44,540
	\$ 260,261	\$ 47,518
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 5,971	\$ 80,962
Due to Doublestar Resources Ltd.	-	43,880
Deposit on shares (Note 4g)	40,000	-
	45,971	124,842
<b>Shareholders' Equity</b>		
SHARE CAPITAL (Note 4)	10,554,045	10,172,285
CONTRIBUTED SURPLUS	14,034	14,034
DEFICIT	(10,353,790)	(10,263,644)
	214,289	(77,325)
	\$ 260,261	\$ 47,518

**Approved on Behalf of the Board**

"Andrew W. Bowering"                      Director  
Andrew W. Bowering

"Paul F. Saxton"                              Director  
Paul F. Saxton

The accompanying notes form an integral part of these financial statements

# PINNACLE MINES LTD.

formerly Broadlands Resources Ltd.

## STATEMENT OF OPERATIONS AND DEFICIT

FOR THE YEAR ENDED December 31, 2003

	<b>2003</b>	<b>2002</b>
<b>EXPENSES</b>		
Management fees	\$ 12,848	\$ -
Depreciation	-	-
Listing and transfer fees	30,173	9,887
Office and administration	9,675	18,401
Professional fees	15,449	8,940
Property acquisition and exploration expenditures	-	8,422
Travel and entertainment	22,001	-
<b>Income (loss) from operations</b>	<b>(90,146)</b>	<b>(45,650)</b>
<b>DEFICIT, BEGINNING OF YEAR</b>	<b>(10,263,644)</b>	<b>(10,217,994)</b>
<b>DEFICIT, END OF YEAR</b>	<b>(10,353,790)</b>	<b>(10,263,644)</b>
<b>ANNUAL LOSS PER SHARE</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>

The accompanying notes form an integral part of these financial statements

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

**STATEMENT OF CASH FLOWS**

December 31, 2003

	<b>2003</b>	<b>2002</b>
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net Income (loss) for the period	\$ (90,146)	\$ (45,650)
Net change in non-cash working capital items	(77,826)	50,467
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(167,972)</b>	<b>4,817</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash net of issue costs	381,760	-
<b>CASH FROM INVESTING ACTIVITIES</b>		
Mining property expenditures	(133,699)	(5,000)
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(133,699)</b>	<b>(5,000)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>80,089</b>	<b>(183)</b>
<b>NET CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>333</b>	<b>516</b>
<b>NET CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 80,422</b>	<b>\$ 333</b>
Supplemental cash flow information (Note 7)		

The accompanying notes form an integral part of these financial statements

**PINNACLE MINES LTD.**  
**formerly Broadlands Resources Ltd.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2003**

**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 TSX Venture Exchange ("TSXV"). The Company's business is to acquire, explore and develop interests in mining projects. The Company considers itself to be an exploration stage company. The Company changed its name to Pinnacle Mines Ltd. on July 16, 2003.

The Company has a surplus of \$36,051 in working capital as at December 31, 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.

**PINNACLE MINES LTD.**  
**formerly Broadlands Resources Ltd.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2003**

**2. SIGNIFICANT ACCOUNTING POLICIES**

(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.

(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. MINERAL PROPERTY INTERESTS**

The Company's interests in mineral properties are composed of outright ownership, ranging from 50% to 100%, of various claims in British Columbia.

The Company's net exploration and acquisition expenditures during the years ended December 31 were:

	<b>2003</b>	<b>2002</b>
Acquisition	\$ 101,040	\$ 5,000
Assays	1,538	-
Geological and geophysical consulting	11,650	-
Helicopter and camp	5,650	-
Maintenance	6,800	-
Other	2,545	-
Travel and accomodation	4,476	-
	<u>\$ 133,699</u>	<u>\$ 5,000</u>

**PINNACLE MINES LTD.**  
**formerly Broadlands Resources Ltd.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2003**

**3. MINERAL PROPERTY INTERESTS**

**Mann 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 Option Agreement required the Company to make cash payments totalling \$68,000 and issue 150,000 shares of common stock of the Company. The Company made cash payments totalling \$44,540 and issued 150,000 common shares, however 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.

**Surprise Property**

During the summer of 2003 the Company agreed to purchase, on an arm's length basis, a total of 24 modified grid mineral claims located in the Skeena Mining Division of British Columbia, know as the "Surprise Property", in consideration for a total of 606,000 common shares in the capital stock of the Company and a 2% net smelter returns royalty.

**4. SHAREHOLDERS' EQUITY**

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

(b) <u>Issued</u>	<u>Number</u>	<u>Amount</u>
Issued at December 31, 1998	14,691,845	\$ 9,756,207
Share consolidation (note 4 (c)(i))	(11,018,884)	-
Shares issued	2,012,500	415,112
Escrow shares returned to treasury (note 4(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	100,000	15,000
Issued as at December 31, 2002	<u>5,930,177</u>	<u>10,172,285</u>
Share consolidation (note 4 (c)(ii))	(4,744,142)	-
Shares issued for cash	1,180,000	188,800
Shares issued as part of resource property acquisition (note 3)	606,000	96,960
Shares issued as settlement for accounts payable (note 8)	600,000	96,000
Issued as at December 31, 2003	<u>3,572,035</u>	<u>\$ 10,554,045</u>

**PINNACLE MINES LTD.**  
**formerly Broadlands Resources Ltd.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2003**

**4. SHAREHOLDERS' EQUITY**

(c) Share Consolidation

(i) 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.

(ii) 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.

Pursuant to the Company's stock option plan, approved by the shareholders of the Company on June 30, 2003, the Company granted directors incentive stock options for a total of 350,000 common shares of the Company during the quarter. The incentive options are exercisable for a five year period, expiring November 23, 2008 and are exercisable at a price of \$0.40 per share.

(e) Warrants

During September 2003 a private placement took place that resulted in 1,180,000 warrants being created and placed. Each warrant entitles the owner to purchase one common share without par value for a period of two years from closing of the private placement at a price to \$0.21 per share. These warrants expire September 25, 2005.

(f) Escrow Shares

The Company has 7,016 shares remaining in escrow at December 31, 2003.

(g) Deposit on Shares

The Company received a deposit of \$40,000 in December 2003 for a private placement of 100,000 shares that took place in February 2004 (note 9).

**5. COMMITMENTS**

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

**PINNACLE MINES LTD.**  
**formerly Broadlands Resources Ltd.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 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. SUPPLEMENTAL CASH FLOW INFORMATION**

During the years ended December 31, 2003 and 2002 the Company conducted non-cash operating and financing activities as follows:

	<b>2003</b>	<b>2002</b>
Non-cash operating activities:		
Accounts payable settled with shares	\$ (96,000)	\$ -
Non-cash financing activities:		
Shares issued for settlement of accounts payable	\$ 96,000	\$ -

**8. DEBT SETTLEMENT**

As at September 25, 2003 the Company settled certain outstanding indebtedness by issuing 600,000 shares at a price of \$0.16 for each share to settle accounts payable as follows: Bromley Resources Ltd. \$36,590.13 (rounded to \$36,000), Layton Management Ltd. \$24,567.30 (rounded to \$24,000), and Doublestar Resources Ltd. \$36,000. The directors and officers of these companies are also directors and officers of the Company.

**9. SUBSEQUENT EVENTS**

On January 29, 2004 a private placement took place where the Company issued 1,650,000 units for consideration of \$660,000. Each unit consisted of one common share and one share purchase warrant. Each two warrants entitle the holder to purchase one common share at a price of \$0.50 per share on or before February 4, 2005.

On February 24, 2004, the Company acquired an option to purchase an 80% interest in the Yeng Jia Ping property in Yunnan Province, Peoples Republic of China. Initial payments equating to approximately \$285,000 CDN were made by February 24, 2004 which ensures the options to remain open until July 24, 2004.

# FORM 51-901F

## QUARTERLY and ANNUAL REPORT

Incorporated as part of:        Schedule A  
  X   Schedule B & C

### ISSUER DETAILS:

NAME OF ISSUER: PINNACLE MINES LTD.  
formerly known as BROADLANDS RESOURCES LTD.

ISSUER'S ADDRESS: #305 - 1549 Marine Drive  
West Vancouver, BC V7V 1H9

ISSUER TELEPHONE NUMBER: (604) 922-7377  
ISSUER FAX NUMBER: (604) 922-8280

CONTACT PERSON: Andrew W. Bowering  
CONTACT'S POSITION: President  
CONTACT TELEPHONE NUMBER: (604) 922-7377

FOR QUARTER ENDED: December 31, 2003  
DATE OF REPORT: February 26, 2004

### CERTIFICATE

THE SCHEDULE(S) REQUIRED TO COMPLETE THIS QUARTERLY AND ANNUAL REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS QUARTERLY REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT. PLEASE NOTE THIS FORM IS INCORPORATED AS PART OF BOTH THE REQUIRED FILING OF SCHEDULE A AND SCHEDULES B & C.

*"Andrew W. Bowering"*

\_\_\_\_\_  
ANDREW W. BOWERING

2004/02/26  
DATED SIGNED (YY/MM/DD)

*"Paul F. Saxton"*

\_\_\_\_\_  
PAUL F. SAXTON

2004/02/26  
DATED SIGNED (YY/MM/DD)

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

**Schedule B - Supplementary Information**  
**For The Year Ended December 31, 2003**

**1.** Additional financial information for the year ended December 31, 2003:

(a) General and Administrative expense

	<b>2003</b>	<b>2002</b>
Rent	\$ 4,000	\$ 17,000
Office and supplies	4,885	1,127
Telephone	420	-
AGM expense	-	-
WCB expense	11	-
Postage and courier	-	(16)
Bank and service charges	241	290
Automotive	114	-
Exchange gain	4	-
	<b>\$ 9,675</b>	<b>\$ 18,401</b>

(b) Exploration Expense

	<b>2003</b>	<b>2002</b>
Acquisition	\$ -	\$ 4,494
Mann project expenses	-	3,928
	<b>\$ -</b>	<b>\$ 8,422</b>

(c) Expenditures to non-arm's length parties (in aggregate):  
See note 8 to financial statements

**2.** Information with respect to the year ended December 31, 2003:

(a) Securities issued during the period ended December 31, 2003  
See note 4(b) to financial statements

(b) Options granted during the period ended December 31, 2003  
See note 4(d) to financial statements

**3.** Information as at the end of the period:

(a) Authorized and issued share capital  
See note 4 to financial statements

(b) Options outstanding as at December 31, 2003  
See note 4(d) to financial statements

(c) Shares in escrow or subject to pooling as at December 31, 2003  
See note 4(f) to financial statements

(d) Directors:  
P. Saxton  
D. Archibald  
A. Savage  
A. Bowering  
S. Chi

# **PINNACLE MINES LTD.**

## **formerly Broadlands Resources Ltd.**

### **Schedule C - Supplementary Information For The Year Ended December 31, 2003**

#### **To the Shareholders**

Accompanying this note are the consolidated financial statements of the Company for the year ended December 31, 2003. The statements show an exploration company that relies on raising funds by share issuance to carry out its programs of work. Accordingly revenues have been low. On June 30, 2003 at the Company's Annual and Extraordinary Meeting shareholders approved the reorganization of the Company. On July 16, 2003 the consolidation occurred with the issuance of one new for five old shares and the Company was renamed "Pinnacle Mines Ltd." The authorized share capital of the Issuer is 100,000,000 common shares without par value. A private placement was completed in July 2003 for issuance of 1,180,000 units at a price of \$0.16 per unit for a total proceeds of \$188,000.00. Each unit consisted of one common share and one non-transferable share purchase warrant which allows the owner of the warrant to purchase an additional share for a period of two years at a price of \$0.21 per share.

#### **Subsequent Events**

A private placement was completed on January 29, 2004 for the allotment and issuance of 1,650,000 units at an issue price of \$0.40 each, for a total of \$660,000. Each unit consists of one common share and one share purchase warrant. Each two warrants entitle the holder to purchase one common share at a price of \$0.50 per share on or before February 4, 2005. There was a commission paid consisting of 120,000 units, \$5,960 cash and a cash finder's fee of \$8,000.

On January 7, 2004 the Company filed with the British Columbia and Alberta Securities Commissions via SEDAR an initial annual information form dated December 31, 2003 in order to become a "qualifying issuer" for the purposes of Multilateral Instrument 45-102.

The Company has an option to acquire an 80% interest in the Yeng Jia Ping property in Yunnan Province, Peoples Republic of China. Initial payments equating to approximately \$285,000 CDN were made by February 24, 2004 which ensures the options to remain open until July 24, 2004. At that time the Company must decide whether to complete the purchase of the property. Not including exploration and development costs the Company will pay to the owner a total of \$2,400,000 CDN by mid-July 2005. The property is located near the town of Guangnan, Yunnan Province. A property technical report is being prepared by Jeff Wilson, P.Geol. Information regarding the Yeng Jia Ping property is located at the Company's offices and will be reported in the Annual Information form. The report is available online at [www.sedar.com](http://www.sedar.com).

#### **Management Discussion and Analysis**

In the quarter ended September 30, 2003 the Company purchased 100% interest in the Surprise property in the Stewart area of B.C. The property is located approximately 32 kilometres east of Stewart in the Skeena Mining Division. The property is approximately 12,000 hectares in area within three separate claim groups totalling 24 Modified Grid claims. The property was purchased from Andrew Bowering and Gordon Bain pursuant to a mineral claim purchase agreement between the vendors and the Company.

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

**Schedule C - Supplementary Information**  
**For The Year Ended December 31, 2003**

The Surprise property is the subject of a technical report by Ed Kruchkowski, P.Geol. Shareholders may access the complete Kruchkowski Report online at [www.sedar.com](http://www.sedar.com).

During late August, September and early October, 2003 the Company completed a limited reconnaissance exploration program on the property. Mapping, prospecting and a rock, soil and stream sediment sampling program was completed. Costs of this program are reflected in the year end report.

During the 2003 season, the Company acquired 40 claims units by staking an area covering several old reverted crown grants in the Bear River pass near the Teuton discovery. Renamed the El Dorado, this property has had very little exploration in the past 30 years and sporadic work efforts since the early 1900s. There has been considerable tunnelling on the property but no documented drilling. BC Minister of Mines Annual Reports over several decades document numerous gold and silver showings. In 1928, a sample across 1.5 metres, from a cut 27 metres above the Frenchman Tunnel, assayed 27.4 g/t gold, 68.6 g/t silver and 2.3% copper. A 1946 report indicates several silver-rich boulders assaying up to 10.3 g/t gold and 5,136 g/t silver were located but their source was not found. The Company anticipates conducting an exploration program on the El Dorado property in 2004.

During the third quarter the Company's investor relation activities consisted of telephone communication with shareholders and introducing the brokerage community to the Company's project in Northwest B.C. In the fourth quarter the Company's personnel began developing a website.

**Operating Results**

The Company had net losses of \$90,146 and \$45,650 and a net loss per share of \$0.02 and \$0.01 respectively during the years ended December 31, 2003 and 2002. The loss was approximately the same for both periods, which reflects the state of activity in the Company for both periods. There was no income reported for either period.

The main expenses during the quarter are related to listing and transfer fees as well as some consulting costs at the Company's newly acquired Surprise property in the Stewart area of British Columbia.

February 26, 2004  
Paul F. Saxton