

PACIFIC MINERALS INC.

Annual Information Form

Dated as of November 18, 2003

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Financial Statements

The financial statements of Pacific Minerals Inc. for the years ended December 31, 2002 and 2001, together with the auditors' report thereon, are incorporated by reference in this Annual Information Form ("AIF"). These financial statements have been filed with the British Columbia Securities Commission and the Alberta Securities Commission on the Canadian System for Electronic Document Analysis and Retrieval, which is commonly known by the acronym SEDAR and which may be accessed at www.sedar.com. Copies may also be obtained from Pacific Minerals Inc. upon request. See "ITEM 9: ADDITIONAL INFORMATION" in this AIF.

Forward-Looking Statements

Certain statements contained in this AIF respecting resources, plans, objectives and future performance of Pacific Minerals Inc.'s business are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", or "continue" or the negative thereof or variations thereon or similar terminology. These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity prices, unanticipated resource grades, geological, metallurgical, processing, transportation, infrastructure and other problems, results of exploration activities, cost overruns, availability of financing, availability of materials and equipment, timeliness of government approvals, political risk and related economic risk, actual performance of plant, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those set forth herein under "Risk Factors".

Currency and Exchange Rates

In this AIF, funds are quoted in either Canadian or United States dollars. References to "U.S.\$" are to United States dollars and references to "Cdn.\$" are to Canadian dollars. The Bank of Canada noon buying rates for the purchase of one United States dollar using Canadian dollars were as follows during the indicated periods:

	(Stated in Canadian dollars)		
	Year Ended December 31		
	2002	2001	2000
End of period	1.5796	1.5928	1.4995
High for the period	1.6184	1.6052	1.5601
Low for the period	1.5155	1.4901	1.4349
Average for the period	1.5703	1.5484	1.4859

The Bank of Canada noon buying rate on November 18, 2003 for the purchase of one United States dollar using Canadian dollars was Cdn.\$1.3024 (one Canadian dollar on that date equalled U.S.\$0.7678).

Conversion Factors

For ease of reference, the following conversion factors are provided:

Imperial Measure	=	Metric Unit	Metric Unit	=	Imperial Measure
2.47 acres		1 hectare	0.4047 hectares		1 acre
3.28 feet		1 metre	0.3048 metres		1 foot
0.62 miles		1 kilometre	1.609 kilometres		1 mile
0.032 ounces (troy)		1 gram	31.1 grams		1 ounce (troy)
2.205 pounds		1 kilogram	0.454 kilograms		1 pound
1.102 tons (short)		1 tonne	0.907 tonnes		1 ton
0.029 ounces (troy)/ton		1 gram/tonne	34.28 grams/tonne		1 ounce (troy)/ton

Glossary of Geological and Mining Terms

anomaly: a departure from the norm which may indicate the presence of mineralization in the underlying bedrock.

assay: the chemical analysis of an ore, mineral or concentrate of metal to determine the amount of valuable species.

breccia: rock consisting of fragments, more or less angular, in a matrix of finer-grained material or of cementing material.

carbonaceous: containing carbon or coal, especially shale or other rock containing small particles of carbon distributed throughout the whole mass.

concentrate: a product containing the valuable metal and from which most of the waste material in the ore has been eliminated.

dilution: an estimate of the amount of waste or low-grade mineralized rock which will be mined with the ore as part of normal mining practices in extracting an orebody.

diorite: a granular, crystalline igneous rock commonly of acid plagioclase and hornblende, pyroxene or biotite.

electrowinning: recovery of a metal from an ore by means of electro-chemical processes.

fold: a curve or bend of a planar structure such as a rock bed or a fault plane. The result of deformation processes in the earth's crust.

footwall: the mass of rock beneath a geological structure (orebody, fault, etc.).

gangue: valueless rock or mineral material in ore.

igneous rock: rock which is magmatic in origin.

indicated mineral resource: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to

allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

inferred mineral resource: that part of a mineral resource for which the quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

intrusive: rock which while molten, penetrated into or between other rocks is solidified before reaching the surface.

leach/heap leach: to dissolve minerals or metals out of ore with chemicals. Heap leaching copper involves the percolation of a cyanide solution through crushed ore heaped on an impervious pad or base.

measured mineral resource: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

mineral resource (deposit): a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource (deposit) are known, estimated or interpreted from specific geological evidence and knowledge.

ore reserve: the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. An ore reserve includes diluting materials and allowances for losses that may occur when the material is mined.

porphyry: any igneous rock in which relatively large, conspicuous crystals (called phenocrysts) are set in a fine-grained ground mass.

probable ore reserve: the economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

proterozoic rock: a rock of Proterozoic age, the younger of two Precambrian eons.

proven ore reserve: the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

schist: a strongly foliated crystalline rock which readily splits into sheets or slabs as a result of the planar alignment of the constituent crystals. The constituent minerals are commonly specified (e.g. “quartz-muscovite-chlorite schist”).

shear zone: a tabular zone of rock which has been crushed and brecciated by parallel fractures due to “shearing” along a fault or zone of weakness. These can be mineralized with ore-forming solutions.

strike: the direction, or course or bearing of a vein or rock formation measured on a level surface.

strip (or stripping) ratio: the tonnage or volume of waste material which must be removed to allow the mining of one tonne of ore in an open pit.

sulphides: compounds of sulphur with other metallic elements.

tailing: material rejected from a mill after the recoverable valuable minerals have been extracted.

vein: sheet-like body of minerals formed by fracture filling or replacement of host rock.

vug: small cavity in vein or rock usually lined with crystals.

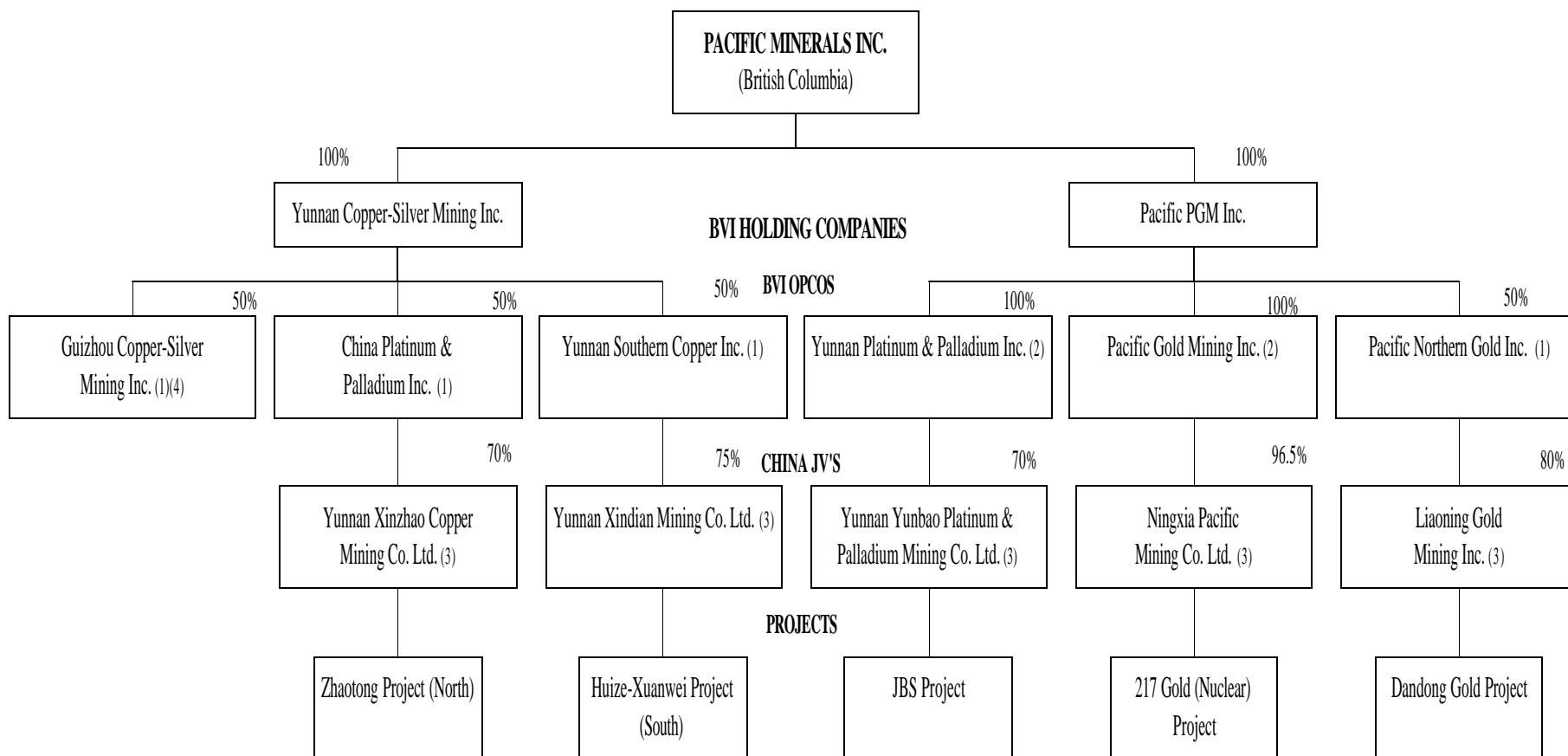
ITEM 2: CORPORATE STRUCTURE

Name and Incorporation

Pacific Minerals Inc. (“PMZ” or the “Company”) was incorporated under the *Company Act* (British Columbia) on May 31, 2000 by the registration of its Memorandum and Articles. The Company’s head office and registered and records office is located at Suite 654 – 999 Canada Place, British Columbia, Canada V6C 3E1.

Subsidiaries and Management Structure

In this AIF, the “PMZ Group” means, collectively, the Company and its subsidiaries or a particular subsidiary or group of subsidiaries, as the context requires. The corporate structure of the PMZ Group, its active subsidiaries, the percentage ownership that the PMZ Group holds or has contractual rights to acquire in the subsidiaries and the jurisdiction of incorporation of such corporations as at November 18, 2003 are set out in the following chart.



- (1) Ivanhoe Mines Ltd. (“Ivanhoe”) has exercised its right to participate in these projects and is currently the other 50% shareholder.
- (2) With respect to the Company’s earn-in rights in the JBS Project and the 217 Project, PMZ and Ivanhoe intend to form joint venture companies and contribute equally to the funding of these projects and hold equal participating interests in these projects.
- (3) These are the Chinese cooperative joint venture companies incorporated to hold the exploration permits over the mineral properties in China. In each case, the percentage represented is the percentage that the BVI Opcos may earn under the respective cooperative joint venture contract.
- (4) Under the terms of a cooperative joint venture contract, Guizhou Copper-Silver Mining Inc. may earn a 75% interest in the Guizhou Copper Project. A Chinese cooperative joint venture is expected to be incorporated during the final quarter of 2003 to hold the related exploration permits.

ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

Overview

PMZ is an international mineral exploration and development company. At present, the Company's principal focus is on precious and base metal (platinum, palladium, gold, nickel, and copper) exploration projects in the People's Republic of China. The Company works closely in China with Ivanhoe Mines Ltd. ("Ivanhoe" - TSX: IVN) and shares an interest with Ivanhoe in several mineral exploration projects. Ivanhoe, the Company's largest shareholder, owns approximately 36.3% of the issued and outstanding shares of the Company (41.5% on a fully diluted basis).

The Company's principal mineral exploration properties are the JBS platinum and palladium project in Yunnan Province (the "JBS Project") and the 217 gold project in Inner Mongolia (the "217 Project"). Under an existing project participation agreement between Ivanhoe and PMZ entered into in May 2002, Ivanhoe has an option to acquire a majority interest in each of the 217 Project and the JBS Project. In October 2003, PMZ and Ivanhoe reached an agreement in principle whereby, among other things, Ivanhoe will relinquish its option to acquire a majority interest in each of the 217 Project and the JBS Project. Instead, PMZ and Ivanhoe will participate equally as co-venturers in each project.

History

The Company was incorporated in May 31, 2000 as a subsidiary of Global-Pacific Minerals Inc. ("Global") for the purpose of a plan of arrangement under the *Company Act* (British Columbia) involving Global, UNIREX Inc. and the Company (the "Arrangement"). Prior to the Arrangement, Global carried on business as a publicly-traded mineral exploration company. Pursuant to the Arrangement, which became effective on April 19, 2001, Global transferred to the Company cash and all of Global's mineral exploration assets. Through a series of exchange transactions pursuant to the Arrangement, the shareholders of Global became shareholders of the Company and the Company ceased to be a subsidiary of Global.

In June, 2001, the Company entered into an agreement to acquire all the issued and outstanding shares of Pacific PGM Inc. ("PPI") in exchange for 15,000,000 common shares of the Company at a deemed issue price of Cdn.\$0.40 per common share. The transaction closed in January 2002 following approval by the Company's shareholders and the TSX Venture Exchange. Rui Feng, the former President and a former director of the Company, was a shareholder of PPI and received 750,000 common shares of the Company pursuant to the transaction.

As a result of its acquisition of PPI, the Company acquired its interest in the JBS Project. The Company also acquired, through PPI, interests in two other platinum and palladium projects in Sichuan Province that the Company subsequently relinquished. At the same time as the PPI acquisition, the Company completed a brokered private placement of 4,285,715 units at a price of Cdn.\$0.35 per unit. Each unit was comprised of one common share of the Company and one non-transferrable two year share purchase warrant exercisable at a price of Cdn.\$0.40 per common share.

In April 2002, the PMZ Group entered into a cooperative joint venture contract with Brigade 217 of the Northwest Geological Bureau, China Nuclear Industry ("Brigade 217"). Under the terms of the contract, the PMZ Group acquired the right to earn a 96.5% interest in the 217 Project by

paying to Brigade 217 the sum of U.S.\$750,000 in instalments over three years (U.S.\$250,000 has been paid to date), U.S.\$1 million within 30 days of the decision to commence construction of a commercial mining operation, and an additional U.S.\$1 million within 30 days of the commencement of commercial mining. Following completion of the earn-in, Brigade 217 will retain a 3.5% carried interest in the 217 Project.

In May 2002, the Company entered into a participation agreement with Ivanhoe whereby Ivanhoe subscribed, by way of private placement, for 5,100,000 units at a price of Cdn.\$0.90 per unit. Each unit consisted of one common share of the Company and one share purchase warrant exercisable to purchase one common share until July 2, 2004 at Cdn.\$1.15.

Under the terms of the May 2002 participation agreement, PMZ granted to Ivanhoe an option to earn an interest in each of the 217 Project and the JBS Project. In respect of the 217 Project, Ivanhoe has the right, exercisable at any time on or before May 31, 2004, to earn a 60% participating interest in the project by completing a feasibility study no later than July 1, 2006. Within 180 days of completing the feasibility study, Ivanhoe can elect to increase its interest in the 217 Project to 76.5% by arranging project financing by July 1, 2007 sufficient to take the project to commercial production. If Ivanhoe elects to earn an interest in the 217 Project, PMZ's residual participating interest converts to a carried interest until the commencement of commercial production.

In respect of the JBS Project, Ivanhoe has the right, exercisable at any time on or before May 31, 2004, to earn a 35% participating interest in the project by completing a feasibility study no later than July 1, 2006. Within 180 days of completing the feasibility study, Ivanhoe can elect to increase its interest in the JBS Project to 50% by arranging project financing by July 1, 2007 sufficient to take the project to commercial production. If Ivanhoe elects to earn an interest in the JBS Project, the PMZ's residual participating interest converts to a carried interest until the commencement of commercial production.

The May 2002 participation agreement also gives Ivanhoe the right to participate equally with PMZ in each new mineral project acquired by PMZ anywhere in China, except Anhui Province. Ivanhoe can elect to increase its interest in a new project to 75% by completing a feasibility study and to 80% by arranging project financing. If Ivanhoe elects to increase its interest, PMZ's residual participating interest in the new project converts to a carried interest until the commencement of commercial production.

In the second half of 2002, the PMZ Group acquired the right to earn interests of between 70% and 75% in three copper-silver prospects covering approximately 4,500 square kilometres in Yunnan and Guizhou Provinces. The PMZ Group may earn its interest in the two Yunnan prospects by making capital expenditures of U.S.\$4,000,000 over three years. The PMZ Group is currently formalizing the Guizhou joint venture and it is anticipated that the PMZ Group will earn an immediate 75% interest for an initial U.S.\$600,000 investment in the project and will provide sole funding of up to U.S.\$4,000,000. Ivanhoe has exercised its right to participate equally with PMZ in each of these new projects.

In a private placement completed in October 2002, Ivanhoe purchased a further 2,000,000 units at a price of Cdn.\$1.00 per unit. Each unit was comprised of one common share of the Company and one share purchase warrant exercisable to purchase an additional common share at Cdn.\$1.10 until October 11, 2004. In conjunction with the private placement, Ivanhoe acquired 6,597,112 common shares of the Company from five shareholders, bringing Ivanhoe's interest in PMZ up to

a total of 13,697,112 common shares or approximately 36.3% of PMZ's issued and outstanding common shares (41.5% on a fully diluted basis).

In July 2003, the PMZ Group entered into a cooperative agreement with Liaoning Non-Ferrous Geological Institute, a provincial government geological exploration company, to form a joint venture in respect of a gold exploration property covering an area of approximately 790 square kilometres within the QCZ Gold-Silver-Polymetallic District, Liaoning Province, north eastern China. PMZ can earn an interest of up to 80% in the joint venture, known as the QCZ gold project. Ivanhoe has exercised its right to participate equally with PMZ in the QCZ gold project.

In October 2003, PMZ and Ivanhoe signed a letter of intent wherein they agreed in principle to substantially restructure the existing project participation arrangements under the May 2002 participation agreement. Under the terms of the letter of intent, PMZ and Ivanhoe also agreed in principle to effect a number of ancillary transactions. These include the creation of a joint venture in respect of Ivanhoe's Shuteen exploration property in Mongolia in which each of Ivanhoe and PMZ will hold an equal participating interest, the issuance to Ivanhoe of 2,500,000 PMZ common shares as consideration for Ivanhoe's participation in the proposed transactions contemplated by the letter of intent and the cash subscription by Ivanhoe for 2,500,000 units of PMZ at a price of Cdn.\$1.75 per unit or the minimum price per unit permitted under the rules and policies of the TSX Venture Exchange, whichever is greater. Each such unit will consist of one PMZ common share and one purchase warrant exercisable for two years to purchase an additional PMZ common share at a price of Cdn.\$2.20 or the minimum price per common share permitted under the rules and policies of the TSX Venture Exchange, whichever is greater.

The existing project participation arrangements under the May 2002 participation agreement are to be substantially restructured such that, in respect of each of the 217 Project, the JBS Project and the QCZ gold project, Ivanhoe will relinquish any and all rights under the May 2002 participation agreement to earn an increased participating interest in the project by completing a feasibility study and arranging project financing, and PMZ will relinquish any and all rights under the May 2002 participation agreement to enjoy a carried interest in the project. Instead, Ivanhoe and PMZ will form a joint venture in respect of each such project in which each of them will hold an equal participating interest. Ivanhoe will reimburse PMZ for 50% of the expenditures incurred by PMZ in respect of each such project, less any expenditures in respect of the project incurred by Ivanhoe. The parties will fund joint venture expenditures in proportion to their respective interests. If either party fails to fund its proportionate share of expenditures, its interest in the joint venture will be diluted. If PMZ's participating interest is diluted below 10%, it will be converted into a 10% net profits interest. If Ivanhoe's participating interest is diluted below 5%, it will be forfeited to PMZ. The parties will also establish a twenty five kilometre joint venture area of interest around each project.

Except for its interests in the 217 Project and the Xiaohuangshan gold and copper exploration project (which is a new PMZ prospect in the Inner Mongolia region that remains subject to Ivanhoe's new project participation rights under the May 2002 participation agreement), PMZ will not acquire any interest in any mineral property in the Inner Mongolia region and will immediately refer to Ivanhoe any opportunities that become available to PMZ to acquire any mineral property interests in Inner Mongolia. Ivanhoe will make available to PMZ any new mineral project opportunities in Inner Mongolia that Ivanhoe elects not to pursue. Except for its interests in the QCZ gold project, Ivanhoe will not acquire any interest in any mineral property in Liaoning Province or Anhui Province and will immediately refer to PMZ any opportunities that become available to Ivanhoe to acquire any mineral property interests in Liaoning Province or

Anhui Province. PMZ will make available to Ivanhoe any new mineral project opportunities in Liaoning Province or Anhui Province that the Company elects not to pursue.

Ivanhoe’s new project participation rights under the May 2002 participation agreement will be amended such that new projects, if any, acquired by PMZ in Liaoning Province will no longer be subject to its terms. Each new project in which Ivanhoe elects to participate will have a twenty five kilometre area of interest. The parties will fund joint venture expenditures in proportion to their respective interests. If either party fails to fund its proportionate share of expenditures, its interest in the joint venture will be diluted. If PMZ’s participating interest is diluted below 10%, it will be converted into a 10% net profits interest. If Ivanhoe’s participating interest is diluted below 5%, it will be forfeited to PMZ. Ivanhoe will continue to hold the right, in respect of each new project to increase its participating interest to 75% by completing a feasibility study and to 80% by arranging project financing. These rights must be exercised in respect of a particular new project within 90 days of Ivanhoe and PMZ incurring collective expenditures of U.S.\$1 million in respect of the project.

The transactions contemplated by the letter of intent are the subject of agreements in principle only and remain subject to all applicable approvals, including regulatory approval, and the negotiation of definitive documentation.

ITEM 4: NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

For the purposes of Form 44-101F1 under National Instrument 44-101 of the Canadian Securities Administrators (“NI 44-101”), the JBS Project and the 217 Project have been identified as the mineral properties which are material to PMZ. None of the Company’s other mineral property interests are considered material for the purposes of Form 44-101F.

Qualified Persons

Disclosure of a scientific or technical nature in this AIF in respect of each of the mineral resource properties of the PMZ Group was prepared by or under the supervision of the “qualified person” (as that term is defined in National Instrument 43-101 (“NI 43-101”)) listed below:

Property	Qualified Person	Relationship to Company
JBS Project	Michael L. Page	Full Time Employee
217 Project	R.D. Westervelt	Independent Consultant (Westervelt Engineering Ltd.)
Copper Exploration Projects	Michael L. Page	Full Time Employee
QCZ Gold Project	Wille m Fuchter	Internal Consultant

Technical Reports

The scientific and technical information in respect of the JBS Project contained in this AIF is summarized from a technical report in respect of the JBS Project dated October 23, 2003 and prepared by Michael L. Page, FAusIMM (the “JBS Report”). The JBS Report is intended to update a previously filed technical report in respect of the JBS Project dated June 20, 2001 (the “Hatch Report”) and prepared by Callum Grant, P.Eng. of Hatch Associates Ltd. (“Hatch”). The scientific and technical information in respect of the 217 Project contained in this AIF is summarized from a technical report in respect of the 217 Project dated October 4, 2002 and prepared by R.D. Westervelt, P.Eng., along with a supplementary technical report dated February 28, 2003 (together, the “217 Report”).

The JBS Project, Yunnan, China

Project Description and Location

The JBS (Jinbaoshan) Project is an advanced platinum–palladium–nickel exploration project that lies near the modern city of Dali in the province of Yunnan in the extreme southwest of China. The JBS property is located at 100°45’ East, 25° North, at between 1,000 and 2,000 metres. The original JBS & HCB properties comprised of three exploration permits totalling 55.61 square kilometres. These three permits have expiry dates ranging from January 2005 to April 2005. A further 8 exploration permits covering 358.05 square kilometres were granted to YYPP in 2002. These permits have expiry dates ranging from March 2004 to October 2004. Finally, another 24 exploration permits totalling 1,495.08 square kilometres were applied for in April 2003. Eighteen of these 24 permits were granted and they expire on July 30, 2004 and the remaining six permits have yet to be granted. None of the exploration permits are subject to any net smelter royalties or other royalty payments to any third party.

The JBS Project is subject to a joint venture agreement between PPI, a wholly-owned subsidiary of the Company, and Yunnan Geology & Mineral Resources Exploration Corp. (Group) (“YGMRE”), a Chinese government-owned enterprise based in Kunming City, Yunnan. Subject to Ivanhoe’s rights pursuant to a participation agreement, PPI has the right to earn a 70% interest in the joint venture cooperative company, Yunnan Yunbao Platinum & Palladium Co. Ltd. (“YYPP”) through cash capital contributions totalling U.S.\$14,000,000 over five years, after which the parties will contribute further on a 30/70 pro rata basis. PPI has contributed U.S.\$1,080,030 toward its required capital contribution and must contribute the remaining U.S.\$12,919,970 on or before October 30, 2006. If one party fails to, or is not willing to invest, then its interest shall be diluted by the other party’s contribution.

Under a May 2002 participation agreement, Ivanhoe acquired the right, exercisable at any time on or before May 31, 2004, to earn 50% of PPI’s interest in the JBS Project (a 35% participating interest) by completing a feasibility study by July 1, 2006. Within 180 days of completing the feasibility study, Ivanhoe can elect to increase its participating interest in the project to 50% (or approximately 70% of PPI’s interest) by arranging project financing by July 1, 2007 sufficient to take the project to commercial production. If Ivanhoe elects to earn an interest in the JBS Project, the PMZ Group’s residual participating interest converts to a carried interest until the commencement of commercial production.

In October 2003, PMZ and Ivanhoe signed a letter of intent wherein they agreed in principle to substantially restructure the existing project participation arrangements under the May 2002 participation agreement. The May 2002 participation agreement is to be substantially

restructured such that Ivanhoe will relinquish any and all rights under the existing participation agreement to earn an increased participating interest in the project by completing a feasibility study and arranging project financing, and PMZ will relinquish any and all rights under the existing participation agreement to enjoy a carried interest in the project. Instead, Ivanhoe and PMZ will form a joint venture in respect of the JBS Project in which each of them will hold an equal participating interest. Ivanhoe will reimburse PMZ for 50% of the expenditures incurred by PMZ in respect of each such project, less any expenditures in respect of the project incurred by Ivanhoe. The parties will fund joint venture expenditures in proportion to their respective interests. If either party fails to fund its proportionate share of expenditures, its interest in the joint venture will be diluted. If PMZ's participating interest is diluted below 10%, it will be converted into a 10% net profits interest. If Ivanhoe's participating interest is diluted below 5%, it will be forfeited to PMZ. The parties will also establish a twenty five kilometre joint venture area of interest around each project. The proposed restructuring of the existing JBS Project participation arrangements between PMZ and Ivanhoe has been agreed to in principle but remains subject to regulatory approval and the negotiation of definitive documentation.

Accessibility, Climate, Local Resources, Infrastructure, and Physiography

The JBS property is located some 150 kilometres southeast of the city of Dali at 100°45' East, 25° North. Elevations around the JBS Project vary between 1,000 metres and 2,000 metres. The climate is temperate, although heavy rains occur in the summer season. A major river system (the Lishi River) cuts through the property, and from its steep slopes provides access by underground adit to the mafic and ultramafic sills that are host to the platinum-palladium ("PGM") mineralization.

The JBS property is easily accessible from Dali via a modern highway, followed by a gravel road of some 38 kilometres to a field camp near the property site. Dali is an active commercial and tourist centre serviced by daily flights to other cities in China. Both rail connections and electrical power lines to Dali are within 45 kilometres of the JBS property. A power line has recently been established to the underground adits.

History

An extensive database of exploration information is available for the JBS deposit, representing some 30 years of exploration activity on the property completed by the YGMRE. In total, approximately 64,000 metres of surface diamond drilling has been recorded from the initial 1975-82 phase of exploration, followed by a more recent underground development program that included channel sampling at 1 metre centres along the PD1339 adit and related cross-cuts. In 2000, a limited infill program of underground drilling between the original 100 metre-spaced drill sections took place.

The Chinese compiled a total of 32 sections for the JBS deposit. The database of information collected since the 1970s is extensive and was generated in a professional manner. The work completed on the JBS property and surrounding area by the YGMRE has been compiled into an extensive information database, the principal sections being summarized as follows:

- (a) regional geological mapping at 1:200,000 to 1:10,000 scales;
- (b) regional soil geochemical surveys at 1:50,000 scale covering a 30 kilometre by 50 kilometre area around the JBS property;

- (c) regional airborne magnetic surveys;
- (d) completion of a reported 64,000 metres of surface drilling in 150 holes spread between the North and South zones of JBS (no core remaining from this work);
- (e) assaying over 7,000 samples for Pt and Pd, and on a selected basis for Ni, Cu, Ir, Or, Rh, and Re was completed at the local Geology Bureau assay lab located in Dali;
- (f) development of two underground adits driven longitudinally along the strike of the deposit with a combined length of approximately 2 kilometres, plus some additional cross-cutting;
- (g) drillcore from underground drill hole DDH completed during 1999-2000 (estimated at approximately 300 metres to 500 metres) was examined by Hatch at the property site in the course of Hatch's preparation of the Hatch Report;
- (h) underground channel sampling at 1 metre intervals along the lower of the two adits (at 1,339 metre elevation), and in the cross-cuts;
- (i) underground mapping at a scale of 1:200 and 1:100;
- (j) metallurgical test work at a bench and pilot-plant scale in 1999-2000; and
- (k) historical resource and reserve estimation, and preparation of mining plans for a 300 tonnes per day underground operation to extract the highest grade material (Pt+Pd > 5 g/t) core of the K2 Zone (one of the two principal zones defined to date).

None of the original (1975–82) surface drillcore remains, so this work cannot be verified apart from observing that all of the cross-section and other plotting work appears to have been completed in a professional manner, and that the underground adit and cross-cut confirmed the general layout of the mineralized zones.

Core from the 1999-2000 phase of underground drilling has been stored close to the PD1339 adit and was inspected during Hatch's site visit. In the underground workings, deep channel sample cuts are still evident and point to a sufficiently representative sampling procedure. Some cross-cuts have been developed to provide locations for fan drilling to test the upper and lower extensions of the mineralized lenses, now recognized as two principal zones at a 1 g/t (Pt + Pd) cut-off (K1 and K2 Zones) with other minor concordant zones.

The cross-cut workings indicate that the lenses vary in strike and dip over short distances and that tight infill drilling will be required for future stope definition (12 metre to 25 metre spacing).

No production from the property has been reported apart from bulk samples from the two adits and related crosscuts.

Geological Setting

The JBS property is situated at the southern end of a north-south trending orogenic belt that is developed between the Yangste and Songpan-Ganzi Precambrian age protoliths.

The JBS property lies within a prominent NNW-SSE trending belt of deformed rocks that stretches for some 800 kilometres to 1,000 kilometres from Yunnan province northwards into Sichuan province. This belt of rocks has been interpreted as a tectonic trench zone, itself probably the expression of a deep-seated suture zone (the Red River suture) lying at the plate boundary between two ancient protolithic cratons. Repeated episodes of sedimentation and volcanism occurred along this plate boundary associated with subsidence and deposition of thick sequences of trough-filling sediments. Graben-style block faulting along this structural trench combined with the development of broad fold structures along a NW-trending axis has produced an arc of domed structures within what is interpreted to be a graben-anticlinorium cored by Proterozoic basement rocks.

Repeated block-faulting along N-S extensional rift zones over this ancient suture has led to the development of thick sequences of Paleozoic to Mesozoic stratigraphy intruded by a series of felsic, mafic, and ultramafic bodies. A dominant regional feature is the widespread Permian aged flood basalt associated with the rift zone. Mineralization of interest occurs, in general, to the east and northeast of this NW-trending lineament, while ophiolitic stratigraphy further to the west may limit the potential for significant PGM in that direction.

Of interest to potential PGM exploration on a regional scale is the association of swarms and clusters of mafic and ultramafic intrusive bodies, extensive continental flood basalts, and rift or block faulting structures. The favourable geological conditions along the belt have attracted several major companies, who are actively exploring for porphyry Cu-Au, Pb-Zn, and PGM-Ni-Cu deposits.

Regional geochemical (soil) and geophysical surveys over a 30 kilometre by 50 kilometre area around the JBS property have defined coincident anomalous zones over the NW-SE trending anticlinal structure intruded by the mafic sills. Zones anomalous in soil Cr-Co-Ni possibly represent leakage along fault structures penetrating through the thick Triassic cover and extending into lower horizons of mineralization. More modern magnetic (and gravity) methods may provide improved filtering of the geophysical signatures of potential nickel and PGM-bearing ultramafic bodies; however, practical exploration targets may be limited to accessible windows in the Triassic cover, and/or sections where the stratigraphy has been exposed by rivers and creeks.

Within the immediate area of the JBS property, Carboniferous/Permian age mafic and ultramafic sill-like bodies are found intruding a domed sequence of Devonian calcareous and dolomite sediments, overlain unconformably by +200 m of pelitic and psammatic sediments of Permian and Triassic age. The mafic sills are generally concordant and stratabound within the Devonian host stratigraphy.

At the property site, exposure of the mafic sills occurs within an erosional window probably related to a prominent NE-SW fault structure now occupied by the Lishi River. The sills have been followed underground for some 900 metres to the north, and by deep drilling through the Triassic cover for an additional 1,000 metres. Another section of mineralization has been followed to the south across the Lishi River.

The sills occur as flat or gently dipping lenticular bodies that in places coalesce to form thicknesses of +200 metres. Elsewhere, the sill splits into radiating apophyses pinching and swelling on strike and across the axis of the domed anticline. Post-mineralization structural complexity is provided by a pattern of inter-locking faults running along and across the strike direction of the sills.

Petrographically, the Yunnan Geology Bureau has recognized differentiation of the sills into an ultramafic basal phase grading upwards into a norite/gabbro phase. The basal olivine-rich unit has been classified as peridotitic in composition and is the preferential host for the PGM and low-grade Ni-Cu mineralization. Significant zones of pervasive and more localized serpentinization are widespread in the peridotite suggesting some possibilities for remobilization of mineralization related to faulting and thrusting. In hand specimen, the peridotite varies from a fine-grained, semi-massive, black to dark-green rock with little serpentine alteration, to a lighter-green unit with a network of carbonate (magnesite) and quartz veinlets, and in places slickenside structures (or almost brecciated).

Exploration and Development

The JBS property has been extensively explored over a 30-year period by Chinese government geological surveys. The PMZ Group continues to explore the property. Surface mapping and drilling, followed by underground development, sampling, drilling and metallurgical studies have generated a large database.

A two part follow-up work program (and related expenditures) was recommended by Hatch in the Hatch Report and the first phase is currently being implemented. The goal of the first phase is to confirm and expand on existing resources at JBS through a program of underground mapping, underground channel sampling and drilling, combined with related technical work to produce a more precise geological and structural model, and a more precise set of resource estimates.

The PMZ Group's phase one activities include collecting 1,245 one-metre channel samples and eight associated crosscuts from adit PD1339, and 130 channel samples from adit PD1309. These samples have been fire assayed for gold, platinum and palladium with a second split analyzed for copper, nickel, cobalt and chrome using ICP-AES. The PMZ Group also completed 107 underground holes covering approximately 4,909 metres. The primary objective of this in-fill drilling program is to determine the characteristics and continuity of the high-grade mineralization previously defined by the widespread Chinese drilling programs.

In September 2003, preparations were initiated to generate a new resource block model that will include all surface and underground drilling and adit channel sampling. The PMZ Group's geologists have recently identified in underground drill holes a consistent internal stratigraphy of the host ultramafic that separates the basal K1 mineralized zone from the hanging wall K2 zone. Recognizing this stratigraphy will establish better confidence in correlating individual intersections and overall structure. The information will provide the basis needed for generating a block model that can be evaluated from a mining perspective.

Other exploration activities include the completion by the PMZ Group of a ground magnetic survey that will be used to track the extensions of the mineralized intrusion. Detailed surface geochemical surveys and mapping have been completed at the San-Feng-Shan Permit, and geochemical surveys have been completed at the Da-Hei-Shan, Da-Ying-Jie, Deng-Chuan, Ping-Ba, Da-Jiao-Shan and Niu-Jie Permits. Other permits throughout the region have been field checked.

Mineralization

PGM mineralization at JBS is characterized by low sulphide content with Pd generally greater than Pt in a ratio of approximately 2:1. Mineralization is magmatic, with minor late structural and hydrothermal alteration. Recent work by the PMZ Group's geologists has shown that the

best grades and thickness of mineralization occur within the thickened central section of the body that forms a trough in the northerly-trending, elongate channel-like intrusion.

Primary, magmatic mineralization occurs in two zones: (1) the K1 Zone, which is a basal, heavily disseminated zone of sulphides with relatively higher nickel and lower PGE, and (2) the K2 Zone, which is a relatively PGE-richer zone of more weakly disseminated sulphides. Both zones are best developed in this trough. The JBS Project has strong similarities to the Russian PGM/nickel deposits at Noril'sk, in terms of regional geology and structure, age of magmatism, and position of the mineralized zones in a thickened trough within the sill.

Drilling

Approximately 64,000 metres of surface drilling was completed in the period between 1975-1982 by the YGMRE Chinese bureau. According to reports reviewed by Hatch during its site visit, the drilling, sample, collection, and assaying procedures were controlled by rules set out by the central Chinese Government that mandated the requirements for the work programs and subsequent resource estimates. For example, these rules set out minimum core recovery limits of 70% from the drill programs which were completed using a mechanical or pneumatic method collecting a large (95 mm) core sample.

All the early drilling programs (and underground development) confirmed the flat-lying or shallow dip of the PGM. The following is a summary of some of the results reported by the YGMRE:

Adit PD1339

Adit PD1339 section follows the strike of adit PD1339, and 7 drill holes nearby are projected onto this section. The adit intersected the K1 and K2 Zones at several locations. The first intersection of mineralization in the adit is interpreted as the K1 Zone grading 0.78 g/t Pt and 1.41 g/t Pd over 17.3 metres (horizontally).

The other intersections along the adit are: 0.36 g/t Pt and 0.7 g/t Pd over 32 metres, 2.15 g/t Pt and 3.66 g/t Pd over 12 metres, 0.77 g/t Pt and 1.43 g/t Pd over 20 metres including 1.31 g/t Pt and 2.69 g/t Pd over 6 metres, 0.6 g/t Pt and 0.75 g/t Pd over 13 metres, 1.23 g/t Pt and 2.20 g/t Pd over 107 metres, 1.45 g/t Pt and 2.22 g/t Pd over 67 metres (all horizontal lengths).

Drill holes DDH 1ZK4 and ZK2 intersected multiple lengths including: 71 metres @ 2.1 g/t, 4 metres @ 2.61 g/t, 4.42 metres 1.65 g/t and 6.65 metres @ 1.46 g/t in DDH 1ZK4 and 2.52 metres 2.11 g/t, 3.2 metres @ 1.49 g/t and 3.35 metres @ 2.26 g/t Pt + Pd in DDH ZK2.

Drill hole DDH 2ZK6 intercepted 9 metre grading 1.27 g/t Pt + Pd and 5 metre grading 1.75 g/t Pt + Pd, separately. DDH 4ZK7 returned 15 metre grading 1.66 g/t Pt + Pd.

For DDH 4ZK9, 2 zones of mineralization were encountered with an upper zone of 11 metres thick @ 0.45 g/t and a lower zone grading 1.16 g/t Pt + Pd over 29.6 metres including 4.7 metres @ 2.0 g/t.

In DDH 4ZK11, 6 zones of mineralization were encountered with an upper zone of 5.66 metres @ 2.37 g/t and a lower zone grading 1.74 g/t Pt + Pd over 24.0 metres separated by a 33 metre interval with anomalous Pt + Pd value (>0.3 g/t).

Several zones of anomalous PGE values were intersected in DDH 4ZK13 at a depth of 400 metres with the best intercepts returning 8 metres @ 4.3 g/t Pt + Pd and a lower zone grading 0.6 g/t over 13 metres including 5.6 metres @ 1 g/t Pt + Pd.

Adit PD19 (Upper Adit at 1509 metres elevation)

A longitudinal (north-south) section prepared by YGMRE shows adit PD19. Values of between 1 g/t and 3 g/t Pt + Pd were reported for a 25 metre horizontal length along the adit, with lower values in other sections of the tunnel that reached a final length of 425 metres. The location of this adit is one of several cross-sections through the JBS deposit.

1999-2000 Underground Drilling and Cross-cuts

The 1999/2000 infill drilling from underground consisted of HQ diamond drilling with recoveries reported at an average of 85%. A total of 18 underground diamond drilling holes were completed from the PD1339 adit during 1999 and 2000 and the complete details of the drilling are set out in the JBS Report.

On section Line 319, a down hole intercepted the K1 Zone with a thickness of 8.23 metres grading 4.78 g/t Pt + Pd, plus an additional intercept grading up to 2 g/t Pt + Pd. The up hole intercepted the K2 Zone and returned 3.87 metres grading 2.32 g/t Pt + Pd. A cross-cut located at section 320W provides an indication of the width of the mineralized zones. Over a total length of 78 metres, the crosscut encountered a 78 metre interval averaging 2.35 g/t Pt + Pd, including a high-grade section of 7 metres at 9.37 g/t.

The 1999/2000 underground development and drilling confirmed the general level of PGM mineralization estimated from the pre-1982 surface drilling. In many instances, the reported underground development sampling encountered higher PGM grades than the surface drilling; however, a more detailed comparison and confirmatory sampling is required to confirm this in a statistically reliable way.

2002-2003 Adit Channel Sampling

1,245, one-metre channel samples were taken from adit PD1339 and eight associated crosscuts, and 130 channel samples were taken from adit PD1309. The samples were fire assayed for gold, platinum and palladium with a second split analyzed for copper, nickel, cobalt and chrome using ICP-AES.

In March 2002, the PMZ Group concluded the first phase of underground sampling at the JBS Project. A total of 801, one metre long, channel samples were collected along adit PD1339. The significant assay intervals were as follows:

	<u>Interval</u>		<u>Width</u> (m)	<u>Au</u> g/t	<u>Pt</u> g/t	<u>Pd</u> g/t	<u>Total</u> <u>PGE</u>	<u>Cu</u> %	<u>Ni</u> %	<u>Co</u> %	<u>Ore Lens</u>
	<u>From</u>	<u>To</u>									
	0	32	25	0.22	0.76	1.224	2.201	0.29	0.29	0.017	K1
	96	147	51	0.08	0.38	0.603	1.069	0.1	0.16	0.015	K2
	282	349	66	0.1	0.7	1.152	1.951	0.06	0.12	0.014	K2
Includes	284	293	9	0.4	3.31	5.503	9.217	0.28	0.33	0.019	K2
	327	349	22	0.07	0.54	0.872	1.484	0.05	0.14	0.014	K2
	392	566	174	0.12	0.88	1.333	2.338	0.12	0.19	0.014	K1-2
Includes	464	525	61	0.12	0.9	1.327	2.349	0.14	0.19	0.014	K1
Includes	544	566	22	0.4	3.04	4.762	8.195	0.35	0.33	0.017	K2
	593	599	6	0.13	0.9	1.327	2.349	0.14	0.19	0.014	K2
	683	767	84	0.23	1.27	1.914	3.415	0.13	0.21	0.145	K2
Includes	754	766	12	0.56	3.14	4.543	8.24	0.32	0.34	0.017	K2

Channel sampling was also undertaken in eight crosscuts where underground access was easily facilitated. The average length of the crosscuts was 55 metres. PD-320 and 324 were the only crosscuts correctly positioned in the ore zones.

A total of 443 channel samples were collected from crosscuts PD-312, 313, 315, 320, 322, 324, 325 and 326 and the significant assay intervals were as follows:

	<u>Interval</u>		<u>Width</u> (m)	<u>Au</u> g/t	<u>Pt</u> g/t	<u>Pd</u> g/t	<u>Total</u> <u>PGE</u>	<u>Cu</u> %	<u>Ni</u> %	<u>Co</u> %	<u>Ore Lens</u>
	<u>From</u>	<u>To</u>									
PD312E	4	25	21	0.08	0.38	0.603	1.069	0.1	0.16		*K1
PD320E	2	79.1	77.1	0.15	1.02	1.737	2.906	0.23	0.23	0.017	K1
Includes	11	22	11	0.49	3.21	5.083	8.775	0.29	0.34	0.016	K1
Includes	5	21.7	16.7	0.36	2.42	3.816	6.594	0.22	0.29	0.016	K1
PD322W	30	32.8	3	0.23	1.16	2.177	3.57	0.17	0.19	0.014	**K1
PD322W	43	60	17	0.08	0.39	0.741	1.206	0.11	0.16	0.016	**K1
PD-324	E12	19W	30.5	0.16	0.05	1.585	2.788	0.13	0.2	0.014	K1

* Intersection mainly in Footwall of K1 Ore Lens

** Intersection mainly in Hangingwall of K1 Ore Lens

In April 2002, additional assaying was undertaken on 492 samples for the element suite that includes Ir, Os, Ru and Rh. The samples were re-submitted to Genalysis Laboratory in Perth, Australia and were analyzed using a nickel sulphide extraction followed by ICPMS. Detection limits for this analytical method was Ir (0.002 g/t), Os (0.002 g/t), Rh (0.001 g/t) and Ru (0.002 g/t). As of April 2002, 292 assays had been received and the combined total for Ir + Os + Ru + Rh was recorded in ppm as follows:

<u>Interval</u> <u>Width</u>	<u>From</u>	<u>To</u>	<u>Width</u> (m)	<u>Au</u> g/t	<u>Pt</u> g/t	<u>Pd</u> g/t	<u>*m-</u> <u>PGE</u> g/t	<u>Total</u> <u>PGE</u>	<u>AuE</u> g/t	<u>Cu</u> %	<u>Ni</u> %	<u>Co</u> %
0	32.0	25.0	0.219	0.774	1.224	0.1278	2.365	5.56	0.287	0.285	0.0164	
114.8	141	26.2	0.110	0.477	0.767	0.0678	1.423	3.29	0.109	0.167	0.0157	
283.4	296.4	13.0	0.302	2.388	3.964	0.3585	7.013	11.91	0.209	0.279	0.0174	
342	349	6.0	0.1483	1.055	1.753	0.1310	3.087	5.55	0.081	0.163	0.0141	
393	407	14.0	0.136	0.646	0.939	0.1259	1.848	3.90	0.090	0.172	0.0144	
464	493	29.0	0.132	1.014	1.504	0.1672	2.817	5.65	0.179	0.209	0.0141	

Interval Width From To Adit PD1339		Width (m)	Au g/t	Pt g/t	Pd g/t	*m- PGE g/t	Total PGE	AuE g/t	Cu %	Ni %	Co %
546	567	21.0	0.406	3.109	4.864	0.5793	8.959	15.15	0.350	0.332	0.0165
701	769	68.0	0.251	1.518	2.285	0.2997	4.345	7.85	0.151	0.233	0.0147
Xcut 312											
0.90	25.1	24.2	0.081	0.480	0.827	0.0709	1.463	3.29	0.055	0.168	0.0144
Xcut 320											
2	79.1	77.1	0.149	1.007	1.739	0.2411	3.137	6.32	0.249	0.233	0.0166

*m-PGE – Element suite of Ir, Os, Ru and Rh

Based on the assay results on hand, the Ir-Os-Rh-Ru ratio was approximately 0.40 : 0.15 : 0.35 : 0.10 and the 292 samples averaged 0.293 g/t.

Gold equivalent grades (AuE) were also calculated as these provide a more representative estimation of the grade of the mineralized intervals in comparison to using only Pt + Pd + Au. The elevated levels of nickel, copper and the minor PGE metals (Os-Ir-Ru-Rh) represent significant credits that typically add an additional 50% or more to the total value. The AuE was calculated using the following prices: Au=\$US 300/oz, Pt=\$US480/oz, Pd=\$US/375, Ir=\$US345/oz, Os=\$US410/oz, Rh=\$US 975oz, Ru=\$US70/oz, Cu=\$US0.7/lb, Ni=\$US2.80/lb and Co=\$US8/lb.

The PMZ Group also completed a rehabilitation of adit PD1309. In June 2002, a total of 130 one-metre channel samples were received from adit PD1309 and assayed. The significant assay intervals set out below include a 27 metre interval grading 0.32 g/t Au, 2.39 g/t Pt, 3.67 g/t Pd, 0.26% Cu, 0.297% Ni, 0.017% Co and 0.34% Cr and a 7 metre interval grading 0.59 g/t Au, 4.3 g/t Pt, 6.87 g/t Pd, 0.45% Cu, 0.414% Ni, 0.02% Co and 0.34% Cr.

	From	To	Interval (m)	Au g/t	Pt g/t	Pd g/t	Total PGE g/t	Cu %	Ni %	Co %	Cr %
	680 m	786 m	106 m	0.15	1.14	1.73	3.02	0.13	0.202	0.015	0.33
Including	681 m	708 m	27 m	0.32	2.39	3.67	6.38	0.26	0.297	0.017	0.34
	692 m	699 m	7 m	0.59	4.3	6.87	11.76	0.45	0.414	0.020	0.34
	720 m	730 m	10 m	0.23	1.75	2.58	4.56	0.18	0.252	0.016	0.32

2002-2003 Underground Drilling

In April 2002, the PMZ Group commenced a 2,500 metre underground diamond-drilling program to determine the characteristics and continuity of the K1 and K2 Zones. The program involves drilling a series of short holes spaced 20 metres apart collared in the floor and roof of the adit. The holes range in length from 25 to 60 metres and the first phase of drilling tested a 500 metre section of the high grade resource previously defined by the Chinese government on 100 x 50 metre centres.

In July 2002, the PMZ Group received the first assay results from the 2,500 metre underground diamond-drilling program. These initial results covered a total of 490 split core samples received from 9 diamond drill holes drilled at two cross-sections in a fan. The significant assay intervals set out below included a 10 metre interval from hole YB80-1 grading 0.3 g/t Au, 2.197 g/t Pt, 3.148 g/t Pd, 0.20% Cu, 0.280% Ni, 0.015% Co and 0.43% Cr. Hole YB80-4 contained a 19.5 metre interval grading 0.31 g/t Au, 2.33 g/t Pt, 3.456 g/t Pd, 0.28% Cu, 0.31% Ni, 0.017% Co and

0.43% Cr, within which a 9.43 metre interval grades 0.53 g/t Au, 4.01 g/t Pt, 5.829 g/t Pd, 0.47% Cu, 0.44% Ni, 0.02% Co and 0.39% Cr.

Drill Hole #	Inclination	From m	To m	Interval m	Au g/t	Pt g/t	Pd g/t	3PGM g/t	Cu %	Ni %	Co %	Cr %
Cross-Section YB81												
YB81-1 Plus	vertical to	14.05	16.8	2.75	0.44	2.451	3.510	6.395	0.47	0.441	0.022	0.17
YB81-4	80 degree	29.9	43.22	13.32	0.22	1.475	2.086	3.781	0.16	0.232	0.014	0.37
(total length =103.05 m)	including	38.8	43.22	4.42	0.43	2.901	4.327	7.660	0.30	0.317	0.016	0.39
		88.85	91.25	2.4	0.21	1.040	2.340	3.585	0.16	0.230	0.018	2.56
		96.05	103.05	7	0.06	0.434	0.880	1.375	0.20	0.196	0.016	0.93
YB81-2	dip at 15	32.57	48.75	16.18	0.14	0.982	1.469	2.587	0.16	0.216	0.015	0.40
(total length =60 m)	degree east											
	including	38	43.15	5.15	0.26	1.956	2.861	5.081	0.30	0.261	0.017	0.41
Cross-Section YB80												
YB80-1 plus	vertical	14.86	15.74	0.88	0.22	1.930	2.140	4.290	0.32	0.288	0.018	0.40
YB80-2		23.65	30	6.35	0.12	0.880	1.021	2.016	0.11	0.225	0.017	0.34
(total length =76.16 m)	including	35.25	45.26	10.01	0.30	2.197	3.148	5.643	0.20	0.280	0.015	0.43
		38.41	45.26	6.85	0.38	2.862	4.110	7.349	0.26	0.326	0.016	0.43
		73.51	76.16	2.65	0.12	0.501	1.047	1.663	0.10	0.141	0.011	0.57
YB80-2	dip at 15	0	16.92	16.92	0.16	1.300	1.935	3.395	0.14	0.216	0.015	0.31
(total length =60.26 m)	degree east											
	including	7.77	13.27	5.5	0.28	2.321	3.444	6.043	0.28	0.285	0.017	0.30
YB80-4	horizontal	0	60.33	60.33	0.05	0.395	0.557	1.000	0.04	0.170	0.013	0.35
(total length =60.33 m)	including	20.59	26.58	5.99	0.11	0.777	1.156	2.039	0.13	0.206	0.015	0.37
YB80-6	dip at 75	0	9.03	9.03	0.24	1.899	2.858	5.000	0.23	0.286	0.018	0.44
(total length =62.69 m)	degree east											
		28.44	30.78	2.34	0.06	0.430	0.822	1.315	0.08	0.173	0.015	0.46
		44.12	49.52	5.4	0.11	0.663	1.420	2.190	0.12	0.193	0.016	2.62
YB80-8	dip at 20	0	19.5	19.5	0.31	2.332	3.456	6.097	0.28	0.311	0.017	0.43
(total length =29.73 m)	degree west											
	including	5.8	15.23	9.43	0.53	4.010	5.829	10.369	0.47	0.439	0.020	0.39

In December 2002, additional assay results revealed significant high-grade intercepts of platinum and palladium mineralized zones. These assay results covered samples from drill holes of nine cross-sections (YB2, YB3, YB4, YB5, YB9, YB25, YB78, YB79, and YB82) in filled between Exploration Lines 317 and 324 to upgrade ore from resource class to measured/indicated category. A total of 20 drill holes had been completed totaling 954.25 metres, with an additional 848 samples taken and assayed. The results were as follows:

Drill Hole #	Inclination	From (m)	To (m)	Interval (m)	Au (g/t)	Pt (g/t)	Pd (g/t)	Pt+Pd +Au (g/t)	Cu (%)	Ni (%)	Co (%)	Cr (%)
YB2 Cross-Section												
YB2-1 and YB2-2 plus tunnel are 89.10 m in total	Vertical	75.27	84.75	9.48	0.11	1.28	2.42	3.80	0.29	0.13	0.25	0.01
	<i>Including</i>	83.75	84.75	1.00	0.44	8.05	14.3	22.76	1.146	0.41	0.03	0.041
YB3 Cross-Section												
YB3-1 and YB3-2 plus tunnel are 91.70 m in total	Vertical	12.15	15.93	3.78	0.08	0.57	1.12	1.77	0.16	0.23	0.02	0.26
	Vertical	27.98	31.48	3.50	0.14	1.14	1.5	2.79	0.17	0.26	0.02	0.27
	<i>Including</i>	29.48	30.42	0.94	0.27	2.11	2.89	5.27	0.26	0.39	0.02	0.25
	Vertical	70.72	74.57	3.85	0.08	0.57	1.07	1.73	0.08	0.15	0.01	1.74
	Vertical	77.57	90.90	13.33	0.06	0.40	0.84	1.11	0.14	0.14	0.01	0.42
YB4 Cross Section												
YB4-1 and YB4-2 plus tunnel are 95.49 m in total	Vertical	48.09	56.03	7.94	0.25	1.88	2.63	4.76	0.18	0.26	0.02	0.40
	<i>Including</i>	50.79	53.42	2.63	0.67	4.67	6.55	11.89	0.46	0.44	0.02	0.40
YB5 Cross Section												
YB5-1 and YB5-2 plus tunnel are 105.52 m in total	Vertical	50.38	54.40	4.02	0.14	1.04	1.75	2.93	0.14	0.22	0.02	0.52
	<i>Including</i>	51.48	52.82	1.34	0.32	2.13	3.79	6.24	0.26	0.31	0.02	0.49
	Vertical	91.84	98.97	7.13	0.06	0.58	1.09	1.72	0.21	0.20	0.02	0.39
YB9 Cross Section												
YB9-1, YB-2, YB-3, and YB9-4 plus tunnel are 223.59 m in total including 99.00 m of vertical drilling and 121.89 m of horizontal drilling	Vertical	77.07	95.61	18.54	0.08	0.52	1.04	1.64	0.20	0.20	0.02	1.07
	Horizontal	0.00	26.70	26.70	0.11	0.97	1.84	2.93	0.40	0.31	0.02	0.24
	Horizontal	28.89	46.09	17.20	0.07	0.58	1.00	1.65	0.18	0.18	0.01	0.57
	Horizontal	48.20	58.06	9.86	0.19	1.71	2.47	4.36	0.15	0.25	0.02	0.44
	<i>Including</i>	51.58	56.94	5.36	0.27	2.43	3.52	6.21	0.20	0.29	0.02	0.49
	Horizontal	62.20	69.50	7.30	0.15	0.85	1.31	2.32	0.26	0.25	0.02	0.43
	<i>Including</i>	67.44	68.45	1.01	0.24	2.10	3.45	5.79	0.28	0.26	0.02	0.36
	Horizontal	82.46	90.32	7.76	0.38	3.03	4.58	7.99	0.29	0.32	0.02	0.38
	<i>Including</i>	82.46	86.45	3.99	0.60	4.76	7.18	12.54	0.46	0.41	0.02	0.39
	Horizontal	102.91	121.89	18.98	0.10	0.93	1.49	2.51	0.06	0.20	0.01	0.45
<i>Including</i>	113.96	116.31	2.35	0.22	1.92	3.22	5.37	0.07	0.26	0.02	0.51	
YB25 Cross Section												
YB25-2 is 58.40 m in total	Vertical	50.21	57.80	7.59	0.25	1.85	2.80	4.90	0.19	0.28	0.02	0.44
	<i>Including</i>	50.21	54.80	4.59	0.31	2.35	3.61	6.27	0.23	0.30	0.02	0.43
YB78 Cross Section												
YB78-1 plus tunnel are 47.80 m in total	Vertical	33.94	42.74	8.80	0.08	0.59	0.88	1.56	0.08	0.20	0.01	0.40
YB79 Cross Section												
YB79-1 is 58.30 m in total	Horizontal	7.50	20.24	12.74	0.29	2.28	3.01	5.59	0.20	0.28	0.02	0.30
	<i>Including</i>	8.62	15.86	7.24	0.45	3.48	4.65	8.58	0.30	0.35	0.02	0.31
	Horizontal	23.50	30.80	7.30	0.12	0.92	1.31	2.34	0.08	0.20	0.01	0.25
YB82 Cross Section												
YB82-1, YB82-2, YB82-3,	Vertical	39.65	45.90	6.25	0.32	2.42	3.59	6.27	0.25	0.27	0.02	0.46
	<i>Including</i>	42.50	44.90	2.40	0.49	4.00	5.94	12.45	0.40	0.36	0.02	0.39
	Vertical	38.09	44.30	6.21	0.11	0.69	1.35	2.15	0.10	0.18	0.02	2.43

Drill Hole #	Inclination	From (m)	To (m)	Interval (m)	Au (g/t)	Pt (g/t)	Pd (g/t)	Pt+Pd+Au (g/t)	Cu (%)	Ni (%)	Co (%)	Cr (%)
YB82-4, and YB82-6 plus tunnel are 184.35 m in total	Vertical	46.50	65.10	18.60	0.10	0.75	1.34	2.19	0.30	0.25	0.02	0.48
	Horizontal	0.00	4.03	4.03	0.62	4.79	7.18	12.59	0.50	0.45	0.02	0.36
	Horizontal	21.81	25.15	3.34	0.17	1.34	1.68	3.20	0.15	0.20	0.02	0.41
	<i>Including</i>	<i>23.76</i>	<i>25.15</i>	<i>1.39</i>	<i>0.24</i>	<i>2.27</i>	<i>2.63</i>	<i>5.14</i>	<i>0.28</i>	<i>0.25</i>	<i>0.02</i>	<i>0.38</i>
	Horizontal	41.11	50.85	9.74	0.13	1.21	1.84	3.17	0.08	0.21	0.01	0.41

On the YB2 cross-section, hole YB2-1 intercepted 9.48 metres grading 3.80 g/t Pt+Pd+Au, which included 1.00 metre of 22.76 g/t. On the YB3 cross-section, four mineralized zones were intercepted in hole YB3-1, including 2.79g/t Pt+Pd+Au over a 3.50 metre interval which included 0.94 metres of 5.27g/t. On the YB4 cross-section, hole YB4-1 intercepted 7.94 metres of 4.76g/t Pt+Pd+Au, which included 2.63 metres of 11.89g/t. On the YB5 cross-section, holes YB5-1 and YB5-2 intercepted four mineralized zones, including: 4.02 metres of 2.93 g/t within which were 1.34 metres of 6.24 g/t and 7.13 metres of 1.72 g/t Pt+Pd+Au. On the YB9 cross-section, four holes were drilled in the adit, two horizontally and two vertically. The two horizontal holes, YB9-3 and YB9-4, with a combined footage of 121.89 metres, were drilled within the mineralized zone along the strike and ended in the mineralized zone.

Significant intercepts included: 26.70 metres of 2.93 g/t Pt+Pd+Au; 5.36 metres of 6.21g/t Pt+Pd+Au; 9.86 metres of 4.36 g/t Pt+Pd+Au; and 7.76 metres of 7.99 g/t Pt+Pd+Au. On the YB25 cross-section, hole YB25-2 intercepted 7.59 metres grading 4.90 g/t Pt+Pd+Au. On the YB79 cross-section, the near-horizontal hole YB79-1 intercepted five mineralized zones, including 12.74 metres of 5.59 g/t, within which was 7.24 metres of 8.58 g/t. On the YB82 cross-section, vertical hole YB82-1 intercepted 6.25 metres of 6.27 g/t Pt+Pd+Au which included 2.40 metres of 12.45 g/t. In vertical holes YB82-3 and YB82-6, two mineralized intervals were 18.60 metres of 2.19 g/t Pt+Pd+Au and 6.2 metres of 2.15 g/t Pt+Pd+Au. The horizontal hole, YB82-2, intercepted three mineralized zones: 4.03 metres of 12.59 g/t Pt+Pd+Au; 3.34 metres of 3.20 g/t; and 9.74 metres of 3.17 g/t Pt+Pd+Au.

In April 2003, further drilling intersected high-grade platinum, palladium and gold mineralization. At the YB12 section, three mineralized zones were intercepted, including 2.90 metres of 3.81 g/t Pt+Pd+Au, and 6.04 metres of 3.96 g/t Pt+Pd+Au. At the YB15 section, three mineralized zones were intercepted, including a high-grade zone of 9.10 metres at 6.97 g/t Pt+Pd+Au. At the YB21 section, six mineralized zones intercepted, with a thick zone of 23.64 metres at 2.88 g/t Pt+Pd+Au. At the YB25 section, six mineralized zones intercepted, including 5.74 metres of 3.54 g/t Pt+Pd+Au, 7.84 metres of 2.43 g/t Pt+Pd+Au and 8.72 metres of 1.70g/t Pt+Pd+Au. At the YB89 section, three mineralized zones were intercepted, including 9.10 metres of 2.07 g/t Pt+Pd+Au. Finally, at the YB93 section, two mineralized zones intercepted 12.23 metres of 1.88 g/t Pt+Pd+Au and 4.23 metres of 2.21 g/t Pt+Pd+Au. Complete results were as follows:

Section	Inclination	From (m)	To (m)	Length (m)	Pt+Pd+Au (g/t)	Pt (g/t)	Pd (g/t)	Au (g/t)	Cu (%)	Ni (%)	Co (%)	Cr (%)
Drill hole YB12-2 and tunnel are 45.20 m in total	Vertical	0.00	2.90	2.90	3.81	1.53	2.11	0.17	0.19	0.24	0.01	0.51
	<i>Including</i>	<i>0.00</i>	<i>1.00</i>	<i>1.00</i>	<i>7.61</i>	<i>3.01</i>	<i>4.24</i>	<i>0.36</i>	<i>0.36</i>	<i>0.36</i>	<i>0.02</i>	<i>0.54</i>
	Vertical	23.65	27.33	3.68	1.14	0.34	0.72	0.09	0.06	0.17	0.01	0.64
	Vertical	36.52	42.56	6.04	3.96	1.29	2.47	0.19	0.21	0.24	0.02	3.82
	<i>Including</i>	<i>37.60</i>	<i>40.80</i>	<i>3.20</i>	<i>5.77</i>	<i>1.83</i>	<i>3.65</i>	<i>0.29</i>	<i>0.33</i>	<i>0.31</i>	<i>0.02</i>	<i>4.50</i>
Drill holes YB15-1 and YB15-2 plus tunnel are 84.30 m	Vertical	31.44	33.45	2.01	1.37	0.61	0.71	0.10	0.11	0.21	0.01	0.46
	Vertical	37.60	46.70	9.10	6.97	2.82	3.74	0.41	0.26	0.33	0.02	0.45
	<i>Including</i>	<i>42.00</i>	<i>45.20</i>	<i>3.20</i>	<i>13.83</i>	<i>5.59</i>	<i>7.38</i>	<i>0.87</i>	<i>0.51</i>	<i>0.50</i>	<i>0.02</i>	<i>0.45</i>
	Vertical	75.40	78.80	3.40	1.03	0.39	0.61	0.03	0.04	0.13	0.02	5.75
Drill holes YB21-1 and YB21-2 plus	Vertical	14.00	15.00	1.00	1.95	0.77	1.07	0.11	0.18	0.24	0.02	0.29
	Vertical	35.60	36.62	1.02	2.89	2.37	0.46	0.06	0.06	0.17	0.01	0.35

Section	Inclination	From (m)	To (m)	Length (m)	Pt+Pd+Au (g/t)	Pt (g/t)	Pd (g/t)	Au (g/t)	Cu (%)	Ni (%)	Co (%)	Cr (%)
tunnel are 106.45 m	Vertical	37.38	38.42	1.04	1.03	0.45	0.52	0.06	0.06	0.18	0.01	0.34
	Vertical	44.50	45.58	1.08	1.10	0.43	0.62	0.05	0.03	0.18	0.01	0.38
	Vertical	49.50	50.50	1.00	5.20	1.96	2.98	0.26	0.23	0.27	0.02	0.41
	Vertical	71.55	95.19	23.64	2.88	1.13	1.60	0.14	0.23	0.24	0.02	1.21
	Including	72.90	75.70	2.80	5.24	1.65	3.28	0.32	0.33	0.40	0.03	3.69
		87.96	92.46	4.50	4.96	2.29	2.48	0.19	0.51	0.37	0.02	0.37
Drill holes YB25-3 and YB25-4 plus tunnel are 93.20 m	Vertical	22.36	28.10	5.74	3.54	1.48	1.84	0.21	0.24	0.30	0.02	0.38
	Vertical	39.36	47.20	7.84	2.43	1.05	1.26	0.11	0.15	0.25	0.02	0.43
	Including	44.50	46.40	1.90	5.18	2.24	2.68	0.25	0.33	0.38	0.02	0.46
	Vertical	66.90	67.90	1.00	1.08	0.34	0.69	0.05	0.02	0.16	0.01	0.56
	Vertical	77.04	79.40	2.36	1.11	0.34	0.72	0.04	0.07	0.15	0.01	1.81
	Vertical	80.38	81.49	1.11	1.14	0.42	0.66	0.06	0.03	0.15	0.01	2.32
		83.10	91.82	8.72	1.70	0.67	0.98	0.05	0.14	0.15	0.01	0.38
Drill holes YB89-1 and YB89-2 plus tunnel are 118 m	Vertical	26.15	29.20	3.05	1.11	0.42	0.64	0.05	0.05	0.19	0.01	0.48
	Vertical	39.05	41.06	2.01	1.27	0.55	0.64	0.08	0.12	0.20	0.02	0.44
	Vertical	50.40	59.50	9.10	2.07	0.75	1.21	0.11	0.11	0.19	0.02	0.39
	80 degrees	83.95	85.05	1.10	1.14	0.32	0.75	0.07	0.03	0.15	0.01	0.49
	80 degrees	90.40	95.50	5.10	1.18	0.37	0.76	0.05	0.08	0.14	0.01	2.04
	80 degrees	100.10	108.32	8.22	1.08	0.33	0.68	0.06	0.26	0.18	0.02	0.31
Drill hole YB93-3 and tunnel are 62.70 m	43 degrees	24.27	36.50	12.23	1.88	0.72	1.09	0.08	0.07	0.19	0.01	0.44
	43 degrees	50.19	54.42	4.23	2.21	0.74	1.35	0.13	0.10	0.17	0.02	0.45

Further underground drill results are under review as part of the PMZ Group's ongoing resource block model project.

Sampling and Analysis

Earlier sampling carried out at JBS consists of core from the early 1975-82 program, diamond drill core from the recent underground infill program, and channel samples from the underground adit and crosscuts at elevations 1309 and 1339. During the 1975-82 drilling phase, at least 7,000 samples from 150 holes drilled (50 metre – 200 metre spacing) were collected. In addition, during the 1999/2000 drilling phase, at least 500 additional samples in 18 holes (variable infill drilling at 50 metre – 100 metre spacings) were collected. Finally, during underground development, at least 500 channel samples were cut along the walls of the adits and crosscuts (1 metre channels).

Recovery from the 1999/2000 drill hole program was observed to be good (+85%), while the earlier program recovery was reported at 70%, which was probably caused by the methods used at that time. The channel samples were very well taken based on Hatch's observations at site. Hatch's conclusion was that the quality of the later sampling in particular was sufficiently reliable for making a broad evaluation of the general PGM levels at JBS, although it was concluded that the early drilling must be confirmed since none of that core is available.

The sampling in drill holes and underground workings support the geological interpretation of the mineralized zones as shown on the Chinese maps and sections, and the widths of mineralization vary from thickness of 2 metres – 20 metres surrounded by lower grade haloes of as much as 25 metres – 45 metres.

Hatch completed an inspection of the assaying facilities used by the Yunnan Geology Bureau since inception of the exploration work at JBS. These facilities are located in Dali, and have been used for the JBS underground infill program and for another exploration program in the region by a major international mining company.

The laboratory was observed to be in a clean and orderly condition, with all the required crushing, grinding, and analytical equipment needed for PGM and Ni/Cu assaying work. PGM assaying was been completed on all core and channel samples, while Ni/Cu analysis was restricted to selected sections. Therefore, gaps exist in the database for Ni/Cu information.

PGMs were assayed using fire-assay in the following generalized steps:

- (a) minimum 1 kg samples collected (the usual practice is to create much larger samples);
- (b) jaw and roll crushing to 1/8 inch prior to first riffle split;
- (c) grinding to 150 mesh rolling to provide 250 gram sample;
- (d) 1 AT (assay-ton) basis for fire-assays used, Pb collector for beads, followed by aqua regia dissolution;
- (e) calorimetric finish used for Pt and Pd determination (a wet-chemical method common in China);
- (f) QA/QC procedures include insertion of blanks and standards, and re-assay for where repeat checks showed a difference of ± 0.3 g/t Pt or Pd; and
- (g) outside lab checks were completed on routine basis (e.g., 448 checks out of 9,200 samples showed only a 0.05% difference).

During post-2001 exploration, sampling conformed to that described by Hatch in the Hatch Report. The recovered HQ size cores (95% recovery rate) at the 2,500 metre underground drill program were split by rock. Half was sampled in 1 to 1 1/2 metre intervals. The remaining half of the split was stored on site for inspection. Samples were crushed, split, and pulverized in a nationally certified Chinese laboratory in Dali, Yunnan Province. The pulps were then shipped to ACME Analytical Laboratory Ltd. in Vancouver, B.C. for final analysis. The samples were fire assayed for gold, platinum and palladium with a second split analyzed for copper, nickel, cobalt and chrome using ICP-AES.

In April 2003, blind international standards were introduced to sample groups submitted to accredited international laboratories.

Security of Samples

To check the reliability of the assaying facilities used by the Yunnan Geology Bureau, Hatch collected a suite of 26 pulps from the lab for assaying at the Chemex lab in Vancouver. Hatch collected 5 chip samples from the main PD1339 adit and 320W crosscut for comparison against the original horizontal channels by the Yunnan Bureau geologists:

Sample #	Yunnan Bureau Samples				Hatch Checks				
	Pt	Pd	Ni	Cu	Pt	Pd	Ni	Cu	Au
196751	0.84	1.26	Na	Na	0.77	0.98	0.4	0.23	0.12
196752	0.8	1.32	Na	Na	0.81	1.33	0.33	0.28	0.11
196753	3.17	4.58	Na	Na	4.93	8.06	0.5	0.45	0.65
196754	3.5	5.35	0.39	0.4	4.12	6.64	0.39	0.37	0.52
196755	1.98	3.52	0.23	0.12	3.87	6.62	0.36	0.16	0.39

The limited results not only confirm the YGMRE sampling results, but also suggest an underestimation by the YGMRE in Pt and Pd grades above the 1 g/t level. A more representative sampling program is warranted to investigate this tendency.

A similar tendency in underestimation of Pt and Pd assays was found through Hatch's check of 26 pulps from one underground drill hole brought back from the Yunnan Bureau's lab in Dali. A negative bias of 14% (Pt) and 16.5% (Pd) was apparent in comparing the Yunnan assays with the Chemex, Vancouver assays; that is, the Yunnan assays are under-estimated on the basis of these 26 samples.

Since the date of the Hatch Report, all data has been verified by the PMZ Group's staff and consultants. The only procedural changes since the effective date of the Hatch Report are: (i) the inclusion of blind international standards with samples submitted to accredited international laboratories; and (ii) the sending of check samples to Perth's, Western Australia-based laboratory, Genalysis.

The PMZ Group maintains a quality control program to ensure that the sampling and analysis of the drill core follow acceptable standards adopted by the mining industry. Half of the drill core is sampled in 1 to 1 ½ metre intervals and the remaining half of the core is stored in a secure location at the base camp. The drill core samples are crushed, split, and pulverized in a nationally certified Chinese laboratory located in Dali. The drill pulps are then shipped to ACME Analytical Laboratory Ltd. in Vancouver for final assaying.

Mineral Resources

Several historical resource estimates were prepared by the YGMRE. These included a 1982 resource estimate based on surface drilling (north and south sections) and a 1999/2000 resource estimate for the K1 and K2 Zones in the northern section of the property at cutoffs of 1, 2, 3, and 5 g/t combined platinum plus palladium. These estimates, re-compiled by Hatch and included in the Hatch Report using Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") resource categories, were as follows:

(a) North and South Zones, 1982

Inferred Resource

Zone	Tonnes	Ni %	Cu %	Pt+Pd G/t
K1 +K2	34,424,000	0.17	0.14	1.40

(b) K1 & K2 (North Zone) only, 1999-2000

Indicated Resource

Zone	Tonnes	Ni %	Cu %	Pt g/t	Pd g/t
K1	0	0	0	0	0
K2	979,460	0.22	0.14	1.28	2.13
K1+K2	979,460	0.22	0.14	1.28	2.13

Inferred Resource

Zone	Tonnes	Ni %	Cu %	Pt g/t	Pd g/t
K1	5,153,663	0.20	0.25	0.55	1.51
K2	3,306,531	0.22	0.14	1.31	2.06
K1+K2	8,460,194	0.21	0.21	0.85	1.72

(c) K2 Zone only

Within the 1999/2000 estimates reported above by YGMRE, the following K2 Zone estimates at a 5g/t Pt + Pd cut-off have also been reported as part of a mining plan for a 300tpd operation:

Zone	Tonnes	Ni %	Cu %	Pt+Pd g/t
Indicated	187,000	0.31	0.28	6.57
Inferred	733,560	0.31	0.27	6.74

Resources that are not reserves do not have demonstrated economic viability.

Hatch reviewed the Chinese resource estimates, checked two of the 1999/2000 estimates for arithmetical correctness (the K1 and K2 Zones) and found no significant errors in the calculations. Hatch's review of the data and its own check sampling confirmed the general level of PGM mineralization reported by YGMRE. However, since none of the original surface drill core is available for check assaying, confirmation of the historical YGMRE estimates will require a work program including drilling and validation of the structural model used to support the YGMRE resource figures.

Based entirely on surface drilling, an early 1982 inferred resource for the North and South Zones was estimated at 34.4 million tonnes grading 0.17% Ni, 0.14% Cu, and a combined Pt+Pd grade of 1.40g/t. A polygonal, cross-sectional method was used for this estimate by YGMRE, and was confirmed by an independent government department prior to issuing the final estimates.

In 1999 and 2000, resources were calculated for the K1 and K2 Zones (North Zone only) at several Pt+Pd cut-offs (1, 2, 3, and 5 g/t) based on a combination of the original surface drilling and the underground adit sampling (but not the underground drilling nor the cross-cut results). Hatch checked two of these polygon estimates for arithmetical accuracy, and did not find any significant errors. Control for the resource estimates was provided by a drill grid that varied from 50 metres to 100 metres in the higher-grade K1 and K2 Zones (sections 307 to 327), to 100 metres to 200 metres in the peripheral areas.

The historical resources were classified according to a Chinese system of B, C, and D categories, and re-compiled by Hatch. The B category was defined on 50 x 50 m drilling, the C category on 100 x 100 m drilling, and the D category on 200 x 200 m to 400 m drilling. The B, C, and D Class categories appear to correspond in large part to indicated and inferred resource categories under CIM standards.

The mineralized horizons exhibited rapid vertical and horizontal variation in width, thickness and grade over short distances of 25 metres to 100 metres. Wide zones of low-grade mineralization are located in the hanging wall of the high-grade ore shoots and between the K1 and K2 Zones. The mineralization is open down-dip to the east and down-plunge to the north, however to the west faulting offsets the mafic unit by up to 100 metres vertically (normal and reverse movements were recorded on the sections).

Tighter drill spacings were recommended by Hatch to bring the current inferred resource into a measured or indicated category, possibly requiring drilling at 12.5 x 25 metre centers, supported by lateral and vertical development. The low sulphide content and very fine disseminated character of the mineralization will make visual grade control difficult and will therefore require more sampling and assaying than normal for stope definition.

Hatch's limited check sampling and re-assaying of pulps from the Yunnan Bureau laboratory suggested the potential for a 10% to 15% improvement in grade, but this conclusion requires confirmation by means of a systematic re-sampling program.

Hatch's review of the project and the data presented by the Yunnan Geology Bureau suggested a reliable level and adequacy of drill, tunnel and sampling data, but a more detailed audit based on a work program of drilling and sampling will be required to confirm the YGMRE resources.

Since the effective date of the Hatch Report, preparations have been initiated to generate a new resource block model that will include all surface and underground drilling and adit channel sampling. The PMZ Group's geologists have recently identified in underground drill holes a consistent internal stratigraphy of the host ultramafic that separates the basal K1 mineralized zone from the hanging wall K2 zone. Recognizing this stratigraphy will establish better confidence in correlating individual intersections and overall structure. The information will provide the firm basis needed for generating a block model that can be evaluated from a mining perspective.

The 217 Gold Project, Northern China

Project Description and Location

The 217 Project is centrally positioned within the prolific east-west trending Tien Shan Gold Belt, which extends through northern China into Mongolia and on into Russia. The property is centred at latitude 41°40' North, longitude 109°14' East.

The 217 Project is covered by a single exploration permit covering an area of 35.93 square kilometres in the Nei Mongol Autonomous Region of northern China. The permit remains valid until July 11, 2004 and is renewable. Surface rights for mining purposes are not included in the permit but can be acquired for a nominal land use fee based on the appraised value of the land.

The existing exploration permit gives the right to carry out all exploration presently contemplated with no additional permitting being required. In the future, a mining permit would be required if a major mining operation was planned. There are no known or recognized environmental problems which might preclude or inhibit a major mine development in the immediate property area.

In April 2002, a subsidiary of the Company entered into a cooperative joint venture contract with Brigade 217. Under the terms of the contract, the Company's subsidiary contributed U.S.\$250,000 to earn a 55% interest in the 217 Project and has the right to increase its interest to 96.5% by paying an additional U.S.\$2,750,000 to Brigade 217. Such additional payments include U.S.\$750,000 in staged payments over a three year period (U.S.\$250,000 has already been paid). In addition, the PMZ Group must pay U.S.\$1 million within 30 days of the decision to commence construction of a commercial mining operation within the permit area and an additional U.S.\$1 million within 30 days of the commencement of commercial mining within the permit area.

Pursuant to the May 2002 participation agreement, PMZ granted to Ivanhoe an option to acquire a 60% participating interest in the property by completing a feasibility study by no later than July 1, 2006. Within 180 days of completing the feasibility study, Ivanhoe can elect to increase its interest in the 217 Project to 76.5% by arranging project financing by July 1, 2007 sufficient to take the property into commercial production. If Ivanhoe elects to earn an interest in the 217 Project, PMZ's residual participating interest converts to a carried interest until the commencement of commercial production.

In October 2003, PMZ and Ivanhoe signed a letter of intent wherein they agreed in principle to substantially restructure the existing project participation arrangements under the May 2002 participation agreement. The existing project participation arrangements under the May 2002 participation agreement are to be substantially restructured such that, in respect of the 217 Project, Ivanhoe will relinquish any and all rights under the May 2002 participation agreement to earn an increased participating interest in the project by completing a feasibility study and arranging project financing, and PMZ will relinquish any and all rights under the May 2002 participation agreement to enjoy a carried interest in the project. Instead, Ivanhoe and PMZ will form a joint venture in respect of the 217 Project, in which each of them will hold an equal participating interest. Ivanhoe will reimburse PMZ for 50% of the expenditures incurred by PMZ in respect of the 217 Project, less any expenditures in respect of the project incurred by Ivanhoe. The parties will fund joint venture expenditures in proportion to their respective interests. If either party fails to fund its proportionate share of expenditures, its interest in the joint venture will be diluted. If PMZ's participating interest is diluted below 10%, it will be converted into a 10% net profits interest. If Ivanhoe's participating interest is diluted below 5%, it will be forfeited to PMZ. The parties will also establish a twenty five kilometre joint venture area of interest around each project. The proposed restructuring of the existing 217 Project participation arrangements between PMZ and Ivanhoe has been agreed to in principle but remains subject to regulatory approval and the negotiation of definitive documentation.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The 217 Project is in the western part of Inner Mongolia, northern China. The site is approximately 650 kilometres northwest of Beijing and 125 kilometres northwesterly from the city of Baotou (population 1.5 million), which is the most important industrial city in the Nei Mongul Province, China. Baotou is serviced by daily scheduled airline flights from Beijing with the project area being reasonably accessed via 200 kilometres of paved and gravel roads northwest from Baotou. Depending on weather and traffic conditions, total driving time is from three to five hours.

The exploration permit covers an area of gently rolling hills with elevations ranging from 1,575 to 1,725 metres above sea level. The climate is semi-desert with average annual precipitation of 230 mm. The summers are dry and moderate with temperatures frequently exceeding 35°C. The winters are severe with

cold spells down to -30°C. Winter conditions prevail from late November through mid-March with snowfall being minimal.

Vegetation consists of sparse desert grasses with scrub bushes with outcrop exposure generally being abundant. Overburden cover is extremely shallow to non-existent and rarely exceeds 2 metres in depth. There are few inhabitants within the general area with most of the land being used only for low intensity sheep and cattle grazing.

With the open rolling terrain, there is an abundance of land available for mine infrastructure purposes including a waste and tailings disposal area, heap leach pad areas, and processing plant sites. Ample power and water supplies are reportedly available locally but these resources will probably require upgrading for major mine development.

Baotou, a major steel producing centre, is the central service and supply centre for the general area. Most equipment and skilled labour would be available in this centre for any major mine development. For current purposes, a year round well equipped exploration base camp has been established in the town of Xinhure (population 200) located 10 kilometres southwest of the property.

History

The general area of the property has undergone a long history of small-scale alluvial gold mining. Until recently, the local peasant miners were carrying out small-scale bedrock gold mining through shallow surface cuts following narrow gash filling quartz vein structures exposed on surface.

The gold prospect now covered by the 217 Project was originally discovered by a geological team of the Bureau of Geology and Mineral Resources of Inner Mongolia during a regional stream sediment sampling program in the 1980s. Brigade 217 acquired the rights to the 217 Project in the early 1990s and actively explored the property from 1992 through 1998. Exploratory work completed by Brigade 217 included geological mapping, soil and rock geochemical surveys, surface trenching, the driving of a 188 metre long decline and the heap leaching of a 30,000 tonne test sample on site.

In 1999, a joint venture between the Company's predecessor, Global-Pacific Minerals Inc. and Southwestern Gold optioned the 217 Project from Brigade 217 and also optioned the surrounding 342 square kilometre exploration area from the Inner Mongolia Geological Exploration Bureau of the China National Non-Ferrous Metals Industry Corporation. Under Southwestern Gold's management, a major exploration program was undertaken in 1999 with total expenditures in excess of U.S.\$1 million. Roughly 80% of these expenditures and all of the drilling carried out during the program were completed on the original 217 Project area where the mineralization appeared to be most strongly and continuously developed.

Work completed during 1999 included satellite imagery, geological and underground mapping, extensive surface trenching, grid surveying, rock sampling (3,000+ samples), and the drilling of ten widely spaced diamond drill holes totalling 2,800 metres. The 1999 program confirmed a major low grade gold bearing zone trending southwesterly across the 217 Project over a length of 4.6 kilometres with true widths up to 150 metres.

All of the sampling (trenches, decline, and drill core) was carried out over nominal 2 metre intervals unless obvious geological breaks dictated otherwise. The gold values obtained were too scattered and the drill holes too widely spaced to permit any meaningful resource estimate. The 30,000 tonne heap leach test completed by Brigade 217 placed only mine broken rock on the pad with no primary crushing. With a reported mined grade around 1.5 grams Au per tonne, the gold recovery was reported at about 55-60%.

The 1999 program confirmed widespread low-grade gold mineralization within the southwesterly trending shear structure with the stronger mineralization being confined to the three sub-parallel, en-

echelon zones. Most of the exploration and all of the drilling was focused on the 217 Project where the gold mineralization was indicated to be most strongly and continuously developed.

Although the 1999 program results suggested a large tonnage low grade gold open pit target, the Southwestern Gold-Global joint venture relinquished its option on the 217 Project in early 2000. In 2002, the PMZ Group acquired its option on the 217 Project.

Geological Setting

Regional Geology

Archean and Early Proterozoic gneisses, schists, amphibolites and banded iron formations outcrop over about one third of the area between North Korea and Baotou City, Inner Mongolia. The Archean rocks were deformed and metamorphosed to amphibolites and granulite facies during the Zhongtiao Orogeny around 1.8 Ga.

Low grade metamorphosed Proterozoic quartzites, shales and limestones plus unmetamorphosed Paleozoic rocks occur as accretionary complexes surrounding the Early Proterozoic and older basement rocks. These complexes extend northward into Mongolia and make up part of the broader Mongolian-Great Hinggan Fold Belt located between the North China and Siberian Cratons. Continental basinal sediments, commonly coal bearing, and subaerial volcanic rocks of Permian through Cretaceous age unconformably overlie the Proterozoic sequences in valleys adjacent to uplifted Precambrian basement.

Emplacement of 1.7 to 1.4 Ca alkalic intrusions north of Baotou City including syenites and carbonatite sills during a rifting event may have generated the world class rare earth-iron deposits at Bayan Obo some 50 kilometres northeast of the 217 Project. Widespread calc-alkaline to alkalic granitoid plutons were emplaced through the region in multiple orogenies (from Caledonian to Hercynian to Yanshanian).

The North China Craton has undergone Proterozoic and Phanerozoic accretion and collision along both its northern and southern boundaries and has been exposed to a subduction related strike-slip fault regime along its eastern edge. In addition, Indian Plate collision with the Eurasia Supercontinent was probably responsible for widespread normal faulting. Within the cratonic margin itself, deformation is characterized by major east-striking reverse fault zones, such as the Gaoletu Fault within the immediate 217 Project area.

Late Jurassic and Early Cretaceous Yanshanian deformation is recognized in the eastern portion of the North China Craton. This deformation is related to subduction of the Izanagi Ocean Plate beneath the North China Craton. Back arc magmatism extended for another 1,000 kilometres inland and is recorded by the widely distributed Yanshanian granitoids.

Local Geology

At the 217 Project, gold mineralization occurs within a major ductile shear zone which has been traced southwesterly across the property over a strike length of 4.6 kilometres with widths ranging from 40 to 150 metres. The host rocks are Proterozoic phyllitic and andalusitic schist, which are exposed along the southern limb of an easterly plunging syncline. To the north and to the south, the sedimentary sequence is intruded by a series of Caledonian and Hercynian age granite plutons.

The sediments strike southwesterly to westerly across the property and dip uniformly 80° to 85° to the north. The mineralized shear structure up to 150 metres in the width is conformable with the stratigraphy, with the shearing being developed along the bedding planes.

Gold mineralization within the 217 Project area is hosted by Middle to Upper Proterozoic metasedimentary rocks of the Bayan Obo Group. A section for the Bayan Obo Group was established in

the vicinity of the Bayan Obo rare earth-iron mine situated some 50 kilometres northeast of the 217 Project. The Bayan Obo Group is dominated by clastic sedimentary formations intercalated with carbonate rich rocks and includes quartz sandstones, greywackes, and slates with dolostone and limestone.

Three main styles of mineralization are evident, all of which have been emplaced along the bedding plane shears. The first type is an upper hanging wall type consisting of contorted quartz veins and quartz veinlet stockworks with minor sulphides. The second type is a lower footwall type consisting of fine sulphide veinlets devoid of quartz in the andalusite schist sequence. Finally, the third type is a central type of mineralization consisting of a mixture of the above two types.

The sulphide content is generally low and rarely exceeds 3%. The sulphides are dominantly pyrite with increasing pyrrhotite at depth with trace amounts of chalcopyrite and arsenopyrite. Visible gold up to pin head size is widespread but uncommon and is most frequently seen in the upper quartz rich type of mineralization.

A well defined oxide zone overlies the mineralized sections with depths varying from 30 to 70 metres below surface. Within the oxide zone the host rocks are not obviously oxidized but the contained sulphide disseminations and stringers are almost totally converted to limonite. Beneath the oxide zone, the sulphides are fresh and totally unaltered.

The phyllitic and andalusitic schists are not obviously carbonaceous. Free graphite is confined to a few short drill hole intercepts in the footwall andalusite schists and along a few rare fault structures. If the material causes a metallurgical problem, the selected areas could be selectively mined and rejected to waste quite readily.

A profusion of lamprophyre dykes are evident within the mineralized shear zone and in the overlying hanging wall rocks. Individual dykes can be traced quite consistently along strike over great distances but down dip they pinch and swell quite irregularly. All of the dykes are barren of gold values.

Property Geology

The 217 Project gold mineralization is hosted by Proterozoic carbonaceous metasedimentary rocks in the south limb of the syncline. The syncline is one of the most prominent structural features in a major east-west trending fold belt which is characterized by dome and basin fold interference. Caledonian and Hercynian age composite granitoid batholiths occur to the north and south of the property. Gold mineralization consists of broad en-echelon zones of deformed quartz veinlets and stringers in a high strain zone.

Within the project area, only the middle portion of the Bayan Obo Group is represented. Stratigraphic units outcropping on the 217 Project from oldest to youngest include the Jianshan, Halahougete and Bilute Formations.

The Jianshan Formation is comprised of black carbonaceous slate, silty slate, andalusite hornfels, metasilstone and quartz wacke. It mainly outcrops in the western, northern and southern portions of the 217 Project. The contact with overlying calcareous clastic rocks is gradational. High grade gold veins hosted in this unit have been mined in the vicinity of the 217 Project.

The Halahougete Formation is dominated by carbonate lithologies and is comprised of thin to medium bedded dolomite limestone intercalated with cherty slate and siliceous calcareous clastic units including sandstone, siltstone and slate. The Formation outcrops extensively on the 217 Project and underlies in sharp contact the Bilute Formation which hosts the majority of the known gold mineralization.

The Bilute Formation can be subdivided into four lithological members, which, from youngest to oldest are: (a) b₁ calcareous and carbonatized black phyllite and schist; (b) b₂ metasilstone, metasandstone and sedimentary breccia; (c) b₃ carbonaceous phyllite, and andalusite – garnet schist with minor metasilstone and metawacke; and (d) b₄ carbonaceous metasilstone.

Intrusive rocks within the 217 Project area were emplaced during the Late Caledonian, Hercynian and Indosianian (413 to 205 Ma). These major composite granitoid batholiths outcrop to the north and south of the 217 Project gold mineralization.

Within the area of mineralization, numerous dykes with various compositions intrude the metasedimentary sequence. Dyke rocks include diabase, lamprophyre, diorite, aplite and pegmatite. Older dykes such as diorite and lamprophyre are semi-concordant to the main foliation.

Deposit Type

The available data suggests a major bulk-tonnage low-grade gold potential for the 217 Project. Widespread gold mineralization has been reported within a broad, intense, westerly striking, steeply dipping shear structure with true widths up to 150 metres. The anomalous gold values are associated with fine pyrite-pyrrhotite stringers and sulphide-quartz veinlets and boudinage lenses within the shear structure. Bulk tonnage potentials exist for both oxide and underlying sulphide mineralization with the depth of oxidation being relatively sharp and fairly constant at a vertical depth of 50 metres.

The current exploration program has been designed to further define and test the continuity of the shear structure and more accurately determine the distribution of the gold values contained therein.

Exploration and Development

In 2002, the PMZ Group acquired its option on the 217 Project and expended over U.S.\$1 million on further testing of the 217 Project. Work consisted of geophysical surveys (transient EM and magnetics), the drilling of an additional 23 diamond drill holes totalling 4,997 metres, and preliminary metallurgical testing.

Drilling was concentrated on the Northeast Zone on 50 and 100 metre centres where earlier work had indicated significant width of low grade gold mineralization at shallow depths. The drilling confirmed a major gold bearing space over a strike length of 800 metres open along strike and at depth. Gold grades were highly variable but showed reasonable continuity throughout this area.

The 217 Report concluded that the available data supported the potential for the development of a major low-cost open pit operation and recommended a continuing exploration program involving additional metallurgical test work and intensive drilling to extend the Northeast Zone and to upgrade the presently reported inferred resources and to test the Southwest Zone with widely spaced holes along a 2,700 metre strike length.

The PMZ Group is engaged in a further field program with a budget in excess of U.S.\$1 million that is intended to increase the size and grade of the currently delineated, near-surface gold deposit. The program includes the drilling of an additional 6,054 metres of diamond drilling (approximately 34 holes) to test the Southwest extension along strike with widely spread holes, testing the immediate strike extension of the Northwest zone, and in filling some of the Northwest Zone resources.

The program also includes additional metallurgical testing on a new one tonne representative sample that was shipped to SGS Lakefield Research Canada Ltd. in July 2003. SGS Lakefield is also testing the heap leachability of the gold mineralization. Preliminary metallurgical tests performed in early 2003 by SGS Lakefield achieved overall gold extraction exceeding 95% for both the oxide and sulphide mineralization

using simple gravity separation and cyanidation. Additional, bulk heap-leach tests will be conducted in China near the end of 2003 to increase the level of confidence in gold recoveries.

Drilling by the PMZ Group continued through to late September 2003 with the metallurgical test results being anticipated in mid-December 2003. The first hole in the current program, drilled to a depth of 138 metres in the Southwest Zone, was completed in July 2003. It successfully intercepted the mineralized zone but returned only low grade assays. A second drill rig was utilized in testing the southwest extent of the Northeast Zone along strike. The assay results of this drilling program are expected by the end of 2003.

PMZ is carrying out a scoping study to define the capital and operating costs and production parameters of a major low-grade open pit operation in this area. When the current drilling program is completed, the results will be integrated into the study to help determine the economic viability of developing a large-scale, open-pit gold mining operation at the 217 Project. The scoping study is expected to provide a preliminary, independent assessment of the economic potential of the project and determine a range of capital and operating costs modeled on a 10,000-tonne-per-day open-pit mining operation. The study will be based on the measured and indicated mineral resources in the project's Northeast Zone.

Mineralization

The host rocks to the gold mineralization on the 217 Project are mainly carbonaceous phyllites and slates within the lower members of the Bilute Formation. Detailed mapping carried out at a scale of 1:2,000 has shown that the higher grade metamorphosed sections of the Bilute Formation contain generally lower grade gold values than the more weakly metamorphosed sections. The gold is contained in thin (1 mm to 10 mm) sulphide and quartz-sulphide veinlets, stringers and boudinage lenses, which trend along the shear zone.

The principal ore mineral is native gold but visible gold is rare and has only been observed locally. Based on drill core logging, pyrite and pyrrhotite are the most abundant sulphides with their total content ranging between 1 and 5 percent. Arsenopyrite and chalcopyrite occur in trace amounts. In areas where dense populations of lamprophyre and diorite dykes occur, gold grades are generally higher. Wall rock alteration on the property is dominated by silicification, biotization, sericitization, carbonatization, with weak to strong andalusite development.

Surface work has confirmed the major shear structure extending 4.2 kilometres southwesterly across the 217 Project. Diamond drilling and surface trenching has tested this structure over a strike length of 3.7 kilometres with drilling to a maximum vertical depth of 260 metres. As presently known, the better grade gold mineralization occurs in two zones (the Northeast and Southwest zones) along this shear. The mineralized zone is between 40 to 150 metres wide in the eastern section with surface trench chip sample results including 85 metres of 1.54 g/t gold and 100 metres of 1.70 g/t gold. The mineralized zones dip at about 85° N so trench results represent near true widths.

Drilling

The 1999 Program

In 1999, ten widely spaced diamond drill holes totalling 2,797 metres were completed testing the major shear zone along strike. All of these drill holes were down-hole surveyed for both dip and direction to determine their true positions. Widespread gold mineralization was encountered. Due to the steep northward dip of the shear structure and the steep inclination of the drill holes, the drill intercepts reported are roughly twice the true thickness of the mineralized zones.

Drilling was carried out using standard Chinese equipment and drill crews with large size (NQ) drill core. In general, the Chinese drilling equipment is antiquated, no wire line is used and only near vertical holes are possible. The production rate is low, and the core recoveries are poor compared to North American standards. All of these problems were encountered on the 1999 drilling program on the 217 Project.

Of particular concern, the drill core recoveries were poor with the recoveries in the upper oxide zone being very low (averaging 72%). Within the oxide zone, the gold-bearing sulphides would have oxidized and tended to grind with significant gold values then being lost in the sludge. There is no way of estimating the lost gold in these sections but some up-grading of gold values can reasonably be anticipated.

The 2002 Program

In 2002, an additional 23 diamond drill holes totalling 4,997 metres were drilled by the Company. Two separate Chinese contract drilling companies were utilized using Longyear P-38 machines with double and triple wall HQ equipment.

Drilling was concentrated on the Northeast Zone on 50 and 100 metre centres where earlier work had indicated significant width of low grade gold mineralization at shallow depths. The drilling confirmed a major gold bearing space over a strike length of 800 metres open along strike and at depth. Gold grades were highly variable but showed reasonable continuity throughout this area. Core recoveries averaged better than 98% with output averaging 30-40 metres per machine per 24 hour shift.

All the holes were down the hole surveyed to accurately define their dip and direction. Holes were targeted as follows:

- (a) Northwest Zone – twenty holes (4506.39 metres) were nominally drilled on 50 metre centres testing known gold-bearing shear zone;
- (b) Southwest Extension – one hole (195.12 metres) tested the southwesterly extension of the known gold-bearing shear zone; and
- (c) Geophysical Holes – two holes (305.26 metres) tested the long linear magnetic anomaly which proved to be caused by non gold-bearing pyrrhotite horizon in sediments.

The 217 Report concluded that the available data supported the potential for the development of a major low-cost open pit operation and recommended a continuing exploration program involving additional metallurgical test work and intensive drilling to extend the Northeast Zone and to upgrade the presently reported inferred resources and to test the Southwest Zone with widely spaced holes along a 2,700 metre strike length.

The 2003 Program

Further drilling of an additional 6,015 metres of diamond drilling (33 holes) continued through to late September 2003 to test the Southwest Extension along strike with widely spread holes, to test the immediate strike extension of the Northwest Zone, and to in-fill some of the Northwest Zone resources.

Drilling by the PMZ Group continued through to late September 2003 with the metallurgical test results being anticipated in mid-December 2003.

The first hole in the current program, drilled to a depth of 138 metres in the Southwest Zone, was completed in July 2003. It successfully intercepted the mineralized zone but returned only low grade assays. A second drill rig was utilized in testing the southwest extent of the Northeast Zone along strike. The results from this drilling program are expected in early December 2003.

Sampling and Analysis

The 1999 Program

All sampling was carried out over nominal 2 metre intervals unless obvious geological breaks dictated otherwise. The surface and decline samples were continuous chip samples averaging about 2 kilograms per metre.

The diamond drill core was split in half by sawing, logged, and then half of the core over selected intervals was bagged and shipped for assaying (about 2.3 kilograms per 2 metre sample). As noted previously, poor core recovery in the drilling may have resulted in significant gold loss in the core assays particularly within the upper oxidized sections.

All samples were taken and handled by Southwestern Gold's employees in a manner acceptable by current professional practice. None of the samples were handled or prepared by officers, directors or associates of Southwestern Gold or Global.

A written log or description was prepared for each sample, an appropriate identification number was assigned, and each sample was placed in a bag and sealed in preparation for shipment to the assay laboratory. Prior to shipment, the samples were stored in a safe area at the main base camp but no special security precautions were taken. There was no evidence or suggestion at any time that any of these samples had been tampered with in any manner.

All of the samples were shipped to the Langfang Laboratory at the Institute of Geophysical and Geochemical Exploration located at the Langfang Research Centre, Hebei Province, about a one hour drive east of Beijing. This is a small laboratory fully certified by the Chinese Government which is known and respected for its analytical work both in China and abroad. The lab is acceptable by western standards.

The entire sample as received at the Langfang Lab was crushed to -10 mesh and then rolled and quartered. The quartered sample was then crushed to -80 mesh and again rolled and quartered. This final quarter was then ground to -200 mesh to produce a pulp for assay determination.

Gold content was determined by 3 hour hot aqua regia digestion on 10 gram samples with an AA finish. In China, this is the accepted method for determining low grade gold content. Roughly 10% blanks, standards, and duplicates were run for quality control purposes.

Within the gold bearing sections of the drill core, up to four separate pulps were prepared and assayed for each drill core interval. The accompanying drill hole assay logs showed that some of the assays from the same interval were in close agreement but many showed a wide range of values. For grade purposes, Southwestern Gold averaged all of the available gold analyses from the Langfang Lab for each drill hole interval.

One additional pulp was prepared by the Langfang Lab for each drill hole interval and this was sent to Chemex Laboratories in North Vancouver. At Chemex, the gold content was determined on one assay ton (30 gm) samples using a standard fire assay system with an AA finish. The Chemex results showed some variations but generally corresponded reasonably well with the earlier reported averaged values received from the Langfang Lab.

The surface trench and decline samples were assayed only once at the Langfang Lab using the hot aqua regid technique and were not re-checked at Chemex Laboratories.

It was obvious from reviewing the available assay data that a major “coarse nugget effect” problem existed with the sampling and assaying on this project. This was undoubtedly due to the erratic distribution of relatively coarse free gold particles within the sampled material. This problem was probably accentuated by the small size (10 grams) of the samples utilized in the Langfang Lab.

The 217 Report found that the averaged Langfang Lab assays and the Chemex results reasonably reflect the gold content of the recovered core material. The compiled drill hole section grades were probably low due to the excessive drill core loss. The surface trenching and decline results – based only on single assays at the Langfang Lab, are somewhat less reliable, and should be used only as a general guide to the distribution of the gold-bearing zones.

The 2002 Program

All of the core from the 2002 program was split with a diamond saw with one half being retained in storage and the balance being sent to the Langfang Lab near Beijing for initial sample preparation. The nominal sampling interval was 2 metres with shorter intervals being taken where dictated by geological features.

At the Langfang Lab, the individual whole samples were crushed to -10 mesh and representative 500 gram cuts were then taken for shipment to ALS Chemex Ltd. in Vancouver for final sample preparation and analysis.

At Chemex the individual samples were crushed, grounded, and pulverized to -150 mesh with the gold content then being determined using the screened metallic fire assay method on one assay ton (30 gram) samples. This method was selected to alleviate some of the coarse nugget effect problems encountered in the assaying of the core from the previous drilling program.

To ensure quality control, Chemex carried out a routine internal check procedure involving blanks, duplicates, and control standards. To date, no external checks have been carried out on the Chemex data at outside laboratories.

Security of Samples

The 2002 Program

Fourteen random previously assayed drill hole intercepts were selected for check assaying. The remaining half core from each of these intercepts was bagged and sealed with security locks and delivered by hand to Chemex Laboratories in North Vancouver.

At Chemex, each sample was crushed with portions being pulverized to yield two pulps at -150 mesh. On the first pulp, duplicate fire assays on 30 gram samples were carried out using an AA finish and a separate screened metallic gold assay was completed with the screening at -150 mesh. On the second pulp, a second standard fire assay for gold and silver was carried out on 30 gram samples with an AA finish as well as a standard ICP scan for minor elements.

The comparative assay results showed reasonable correlation with the earlier data but there were wide variations in absolute values both on the “high” and “low” sides. This was undoubtedly due to the coarse nugget effect mentioned earlier which showed up even in the fine grained fractions from the separate pulps in the new sampling. This problem is inherent with the style of gold mineralization on the property and should be considered in any future sampling program.

Notably, the screened metallic fire assays ran higher than the standard fire assays and the difference was significant particularly on the higher grade intervals. The ICP results indicated the mineralization was

unusually clean. The silver values were nil and the copper-lead-zinc content was low. Four samples showed elevated arsenic levels (up to 0.3%) but these did not correlate directly with the gold values and may have represented spurious results.

The 217 Report strongly recommended that further assaying be carried out using the screened metallic system utilizing the largest feasible sample.

Mineral Resources

Using all the available drill assay data, Mr. Myles Gao, P.Geo., completed a resource estimate using the Meds/Minesite computer program. The author of the 217 Report assisted Mr. Gao in preparing his report and opined that the parameters used in the study were both realistic and conservative.

The resource categories as outlined (measured, indicated, and inferred) conform with the current CIM standards and are acceptable by professional standards in North America at the present time.

The resources, as tabulated below, are to variable depths dependent on the depth of drilling:

		Cutoff	Measured		Indicated		Inferred		Measured + Indicated	
		Au (g/t)	Tonnes	Au (g/t)	Tonnes	Au (g/t)	Tonnes	Au (g/t)	Tonnes	Au (g/t)
Northeast Zone	Oxide	0.5	7,207,500	0.803	1,242,500	0.757	5,968,000	1.018	8,450,000	0.796
		0.6	5,451,500	0.884	932,500	0.826	4,562,000	1.162	6,384,000	0.876
		0.7	3,813,750	0.986	568,500	0.939	3,498,000	1.318	4,382,250	0.980
		0.8	2,581,500	1.100	348,750	1.061	2,777,000	1.467	2,930,250	1.095
		0.9	1,743,500	1.222	227,500	1.173	2,326,500	1.585	1,971,000	1.216
		1.0	1,228,000	1.336	172,250	1.246	2,018,750	1.682	1,400,250	1.325
	Sulphide	0.5	28,035,000	0.767	5,212,500	0.737	62,377,500	0.783	33,247,500	0.762
		0.6	21,435,000	0.833	3,925,000	0.798	44,357,496	0.880	25,360,000	0.828
		0.7	15,167,500	0.910	2,677,500	0.867	29,887,500	0.992	17,845,000	0.904
		0.8	10,025,000	0.993	1,635,000	0.942	19,842,500	1.116	11,660,000	0.986
		0.9	6,192,500	1.084	865,000	1.027	13,845,000	1.234	7,057,500	1.077
		1.0	3,617,500	1.182	405,000	1.122	10,192,500	1.335	4,022,500	1.176
	Oxide + Sulphide	0.5	35,242,500	0.774	6,455,000	0.741	68,345,500	0.804	41,697,500	0.769
		0.6	26,886,500	0.843	4,857,500	0.803	48,919,496	0.906	31,744,000	0.837
		0.7	18,981,250	0.925	3,246,000	0.880	33,385,500	1.026	22,227,250	0.919
		0.8	12,606,500	1.015	1,983,750	0.963	22,619,500	1.159	14,590,250	1.008
		0.9	7,936,000	1.114	1,092,500	1.057	16,171,500	1.285	9,028,500	1.107
		1.0	4,845,500	1.221	577,250	1.159	12,211,250	1.392	5,422,750	1.214
Southwest Zone	Oxide	0.5	-	-	-	-	15,523,500	0.882	-	-
		0.6	-	-	-	-	12,220,500	0.972	-	-
		0.7	-	-	-	-	9,184,000	1.078	-	-
		0.8	-	-	-	-	7,610,500	1.148	-	-
		0.9	-	-	-	-	5,609,750	1.255	-	-
		1.0	-	-	-	-	4,151,750	1.365	-	-
	Sulphide	0.5	-	-	-	-	36,935,000	0.844	-	-
		0.6	-	-	-	-	27,182,504	0.950	-	-
		0.7	-	-	-	-	19,280,000	1.077	-	-
		0.8	-	-	-	-	15,205,000	1.163	-	-
		0.9	-	-	-	-	11,752,500	1.253	-	-
		1.0	-	-	-	-	9,000,000	1.349	-	-

	Cutoff	Measured		Indicated		Inferred		Measured + Indicated		
		Au (g/t)	Tonnes	Au (g/t)	Tonnes	Au (g/t)	Tonnes	Au (g/t)	Tonnes	Au (g/t)
Oxide + Sulphide	0.5	-	-	-	-	52,458,500	0.855	-	-	
	0.6	-	-	-	-	39,403,004	0.957	-	-	
	0.7	-	-	-	-	28,464,000	1.077	-	-	
	0.8	-	-	-	-	22,815,500	1.158	-	-	
	0.9	-	-	-	-	17,362,250	1.254	-	-	
	1.0	-	-	-	-	13,151,750	1.354	-	-	
Total	Oxide	0.5	8,755,500	0.833	1,348,750	0.774	19,837,250	0.915	10,104,250	0.825
		0.6	6,695,000	0.920	1,026,250	0.844	15,445,250	1.020	7,721,250	0.910
		0.7	4,811,250	1.026	643,500	0.961	11,609,500	1.141	5,454,750	1.018
		0.8	3,390,000	1.143	416,250	1.078	9,511,500	1.230	3,806,250	1.136
		0.9	2,399,500	1.266	287,500	1.180	7,220,250	1.350	2,687,000	1.257
		1.0	1,757,000	1.382	224,750	1.245	5,589,000	1.469	1,981,750	1.366
	Sulphide	0.5	29,877,500	0.767	5,892,500	0.741	96,790,000	0.807	35,770,000	0.763
		0.6	22,732,500	0.835	4,385,000	0.807	69,782,500	0.908	27,117,500	0.830
		0.7	16,022,500	0.914	2,957,500	0.883	48,032,500	1.026	18,980,000	0.909
		0.8	10,602,500	0.998	1,835,000	0.965	34,270,000	1.137	12,437,500	0.993
		0.9	6,575,000	1.091	1,020,000	1.060	25,060,000	1.243	7,595,000	1.087
		1.0	3,907,500	1.190	532,500	1.166	18,775,000	1.343	4,440,000	1.187
	Oxide + Sulphide	0.5	38,663,000	0.782	7,241,250	0.747	116,627,250	0.825	45,874,250	0.776
		0.6	29,427,500	0.854	5,411,250	0.814	85,227,750	0.928	34,838,750	0.848
		0.7	20,833,750	0.940	3,601,000	0.897	59,642,000	1.049	24,434,750	0.934
		0.8	13,992,500	1.033	2,251,250	0.986	43,781,500	1.158	16,243,750	1.027
		0.9	8,974,500	1.138	1,307,500	1.086	32,280,250	1.267	10,282,000	1.131
		1.0	5,664,500	1.250	757,250	1.189	24,364,000	1.372	6,421,750	1.242

Resources that are not reserves do not have demonstrated economic viability.

No attempt has been made to calculate the open pit resources as the economics, cut-off grades, and pit slopes have yet to be assessed. At a cut-off of 0.6 g/t Au, the total oxide-sulphide resources in the measured-indicated category in the Northeast Zone were estimated at 31,744,000 tonnes grading 0.837 g/t Au (854,332 ounces contained gold). At the same cut-off, the total inferred resources for the Northeast Zone plus the Southwest Extension provided an additional 85,227,750 tonnes grading 0.928 g/t Au (an additional 2,543,130 ounces contained gold).

The 217 Report recommended a continuing exploration program involving additional metallurgical test work and intensive drilling to extend the Northeast Zone and to upgrade the presently reported inferred resources and to test the Southwest Zone with widely spaced holes along a 2,700 metre strike length.

Subsequent to the effective date of the 217 Report, an in-pit resource estimate was prepared by the PMZ Group for the Northeast Zone. Using a 2:1 nominal strip ratio and a cut-off grade of 0.5 g/t gold, the in-pit mineral resource has been estimated at 26.6 million tonnes grading 0.96 g/t gold (measured and indicated) and 11.0 million tonnes grading 1.00 g/t gold (inferred). The in-pit resource estimate was prepared using the standard section and polygnal method by hand. This data is currently being up-dated with the new drill results and is being incorporated into a resource model using the Meds/Minesite computer program.

Other Projects

Copper Exploration Projects

In December 2002, the PMZ Group and Yunnan Geological and Mining Co. Ltd. entered into two cooperative joint venture contracts covering 2,920.57 square kilometres of staked copper exploration properties in the northeast of Yunnan, China. The total staked area consists of 41 permits, however 21 of these permits (covering 1,674.42 square kilometres) are subject to final government approval. The approved permits have expiry dates ranging from October 2004 to September 2005.

In April 2003, two joint venture companies, Yunnan Xinzhao Copper Mining Co. Ltd. (“Xinzhao”) and Yunnan Xindian Copper Mining Co. Ltd. (“Xindian”) were formed and fully licensed to carry out the copper exploration activities. All of the properties are held by the joint venture companies, with Xinzhao holding 404.15 square kilometres of exploration property and Xindian holding the remaining 2,516.42 square kilometres of exploration property.

The PMZ Group can earn a 70% interest in Xinzhao and a 75% interest in Xindian by providing U.S.\$4 million to each joint venture company within a three-year period. The investment schedule consists of contributions by the PMZ Group of U.S.\$750,000 in year 1, U.S.\$1,000,000 in year 2 and U.S.\$2,250,000 in year 3.

In addition to the Yunnan projects, the PMZ Group is currently formalizing a cooperative joint venture contract with Guizhou Geological and Mineral Resources Development Co. Limited in relation to a third copper project located in the Guizhou Province. The PMZ Group will earn an immediate 75% interest for the initial U.S.\$600,000 investment in the project. PMZ will provide sole funding up to U.S.\$4,000,000 (which includes the initial U.S.\$600,000), after which contributions by both partners will be on a pro rata basis.

Under the terms of the participation agreement between Ivanhoe and PMZ, Ivanhoe will be able to earn up to 80% of the Company’s interest in each of the copper projects. Initially, Ivanhoe will earn 50% of the Company's interest in the joint venture company created for each project by equally funding with PMZ the first U.S.\$1 million contribution to each joint venture company. Ivanhoe then will have the option to acquire an additional 25% of PMZ's interest by funding the costs of a feasibility study, plus the option to acquire a further 5% of PMZ's interest by arranging the funding necessary to take a mine to production.

The PMZ Group has been exploring in the region since October 2002. Its initial activities were designed to prospect and map all of the staked areas at 1 to 25,000 scale. This initial work was completed in January 2003 and field prospecting and mapping has outlined three primary targets and six prospective areas for further work. The mapping covered 25 synclines, 1,108 rock samples, and 299 thin section samples. In addition, hundreds of copper occurrences were mapped and field checked.

The next phase of the exploration program consists of large scale geological mapping (1/5,000), geophysical surveys, and diamond drilling. To date, IP (induced polarization) surveys were completed on two of the three primary targets: Dadi prospect and Sujiaqing prospects. Significant IP anomalies were found on these prospects and an initial 1,600 m diamond drilling program is currently under way. Mapping, ground geophysics using gradient array, dipole-dipole IP, TEM, and surface geochemical methods are being used to guide this initial drilling. The PMZ Group expects to conduct sample preparation and screening studies in the final quarter of 2003. Drill hole assays will become available after that work is completed.

QCZ Gold Project

The QCZ gold project is a gold and gold-silver exploration project situated in the eastern Liaoning Province, China.

In July 2003, the PMZ Group entered into a cooperative agreement with Liaoning Non-Ferrous Geological Institute (“LNFGEI”), a provincial government geological exploration company, to form a joint venture in respect of a gold exploration property within the QCZ Gold-Silver-Polymetallic District, Liaoning Province, north eastern China. The PMZ Group can earn an interest of up to 80% in the joint venture, known as the QCZ gold project. Ivanhoe has exercised its right to participate equally with the PMZ Group in the QCZ gold project.

The QCZ gold project’s exploration permit areas have been independently valued at \$U.S.9 million and, pursuant to the cooperative agreement, a sino-foreign joint venture company, Liaoning Pacific Gold Mining Co. Ltd. (“LPGM”), will be established with an initial capital of U.S.\$10 million. LNFGEI will contribute U.S.\$4.9 million to the capital of LPGM, and receive U.S.\$4.1 million in payments over five years. LNFGEI will have a priority to undertake the contracted-out exploration work, provided that it is able to perform the work. The PMZ Group will contribute U.S.\$5.1 million to LPGM’s initial capital and appoint three of the five board members and the general manager of LPGM. The general manager is responsible for the day-to-day operations. The PMZ Group can contribute an additional U.S.\$14.8 million to earn an 80% interest in LPGM and has the option to increase its interest to 90%. The PMZ Group can back out of the project after expenditures of U.S.\$1.5 million and, if it chooses to do so, LPGM would revert to LNFGEI.

The QCZ gold project comprises an area-of-interest (AOI) of some 790 square kilometres in which 480 square kilometres of exploration permit areas are located. LPGM has the rights to 16 exploration permits, totalling over 480 square kilometres. These permits have expiry dates ranging from December 2003 to April 2006 and vary in size from 4.55 to 78.63 square kilometres. The permitted minerals under the permits range from strictly gold (12 permits) to all minerals.

Neither LNFGEI nor the PMZ Group can acquire any exploration permit or mining permit in or within 5 kilometres from the AOI without first giving LPGM the right to acquire such rights in its own name.

Human Resources

At December 31, 2002, the PMZ Group had 29 employees working at various locations. Total employees were allocated as follows:

	Total Employees December 2002	Proportionate Share December 2002
JBS Project	5	5
217 Gold Project	10	10
Copper Projects(s)	7	7
QCZ Gold Project	2	2
Head Office	5	5
TOTAL	29	29

Risk Factors

Investment in the common shares of the Company involves a significant degree of risk and should be considered speculative due to the nature of the Company's business and the present stage of its

development. Prospective investors should carefully review the following factors together with other information contained in this AIF before making an investment decision.

Lack of drill core from previously completed Chinese drilling programs on the JBS Project makes it impossible to confirm resources estimated on the basis of those drilling programs.

Although 64,000 metres of drilling and extensive work, including underground development, has been completed on the JBS Project over a 30 year period, the property has no production history and there is no drill core remaining from the Chinese drill programs. Additional work must be performed on the property to confirm and expand on the previously estimated resources. Only after this has been completed can it be determined if commercial quantities of ore exist on the property.

None of the PMZ Group's properties contains a known body of commercial ore.

Development of the PMZ Group's mineral properties is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. There is no assurance that commercial quantities of ore will be discovered on any of the PMZ Group's exploration properties. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. In addition, assuming discovery of a commercial ore body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of PMZ.

There can be no assurance of the PMZ Group's title to any of its mineral property interests.

No title opinion has been obtained by the PMZ Group in respect of its interests in the JBS Project, the 217 Project or any of the other properties over which the Company, directly or indirectly, has an interest. None of these property interests has been surveyed to establish boundaries. Confirmation of title to interests in mineral properties is a very detailed and time consuming process and may not result in certainty of title. Title to and the area of mineral properties may be disputed. There is no assurance of title to the PMZ Group's interest in any of its projects. Mineral properties may be subject to prior unregistered agreements or transfers and title may be affected by latent defects. Title may be based upon interpretation of a country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change.

There are inherent risks involved in participating in foreign joint ventures.

The PMZ Group participates in all of its mineral exploration projects in China through cooperative joint ventures with government-controlled entities. These arrangements have the potential to create substantial inequality with respect to the level of influence that each of the co-venturers is able to assert with the various levels of government and gives the government-controlled entity an apparent advantage with respect to the application and enforcement of laws and the conduct of business. This inequality could become materially detrimental to the PMZ Group if a business dispute arose between the co-venturers. In addition to the risks inherent in doing business with government-controlled entities, the PMZ Group's interests in its various projects are also subject to the risks normally associated with the conduct of joint and cooperative ventures, including disagreements between joint or cooperative venture parties on how to conduct operations, the inability of joint venture parties to meet their obligations to the joint venture or third parties and disputes or litigation between joint venture parties regarding their respective rights and

obligations. The existence or occurrence of any one or more of these factors could have a material adverse impact on the PMZ Group's interest in a particular project.

The PMZ Group may lose its interest in a project by failing to fulfill its contractual obligations on a timely basis.

The cooperative and joint venture agreements pursuant to which the PMZ Group holds its rights in certain of its projects provide that the PMZ Group must make a series of cash payments over certain time periods, make certain minimum exploration expenditures or contribute its share of ongoing expenditures. If the PMZ Group fails to make such payments or expenditures in a timely fashion, the PMZ Group may lose its interest in those projects.

Government regulations in foreign countries may limit the PMZ Group's activities and harm its business operations.

The legal framework for the agreements under which the PMZ Group holds its interests in its mineral resource projects is often characterized by ambiguities, inconsistencies and anomalies in the agreements or the legislation upon which they are based which are atypical of more developed western legal systems and which may affect the interpretation and enforcement of the PMZ Group's rights and obligations and those of its foreign partners. Local institutions and bureaucracies responsible for administering foreign laws may lack a proper understanding of the laws or the experience necessary to apply them in a modern business context. Foreign laws may be applied in an inconsistent, arbitrary and unfair manner and legal remedies may be uncertain, delayed or unavailable.

The PMZ Group will require substantial additional financing in order to carry out its plans and achieve its objectives.

The PMZ Group will require additional financing to implement its plans and achieve its objectives. If additional financing is required and adequate funds are not available when required or on acceptable terms, the PMZ Group may be subject to dilution of its interest under the agreements through which it participates in its projects. Any financing by way of equity offering will result in dilution to the ownership interests of shareholders and may result in dilution to the value of such interests.

Information in this AIF regarding the PMZ Group's future plans in respect of its projects reflects current intentions and is subject to change.

The PMZ Group describes its current exploration and development plans in this AIF. Whether such plans are ultimately implemented will depend on a number of factors including availability and cost of capital, the costs and availability of drill rigs and other equipment, supplies and the personnel necessary to conduct planned operations, success or failure of activities in similar areas, changes in the estimates of the costs to complete planned activities, PMZ's ability to attract Ivanhoe or other industry partners to acquire a portion of its interest in one or more projects to reduce costs and exposure to risks and decisions of PMZ's existing co-venturers. PMZ will continue to gather data about its projects and it is possible that additional information will cause it to alter its schedule or determine that a project should not be pursued at all.

Mining operations are subject to numerous hazards that could have a material adverse effect on the financial position of PMZ.

The business of mining is subject to a variety of risks such as groundfall, explosions and other accidents, flooding, environmental hazards, the discharge of toxic chemicals and other risks. Such occurrences, against which the PMZ Group cannot, or may elect not to, insure, may result in destruction of infrastructure, damage to life and property, environmental damage, delayed exploration, development or

production, increased costs and possible legal liability for any and all damages. Such liabilities may have a material adverse effect on PMZ's financial position.

Calculation of reserves and metal recovery is only an estimate, and there can be no assurance about the quantity and grade of minerals until reserves or resources are actually mined.

There is a degree of uncertainty attributable to the calculation of reserves, resources and corresponding grades. Until reserves or resources are actually mined and processed, the quantity of reserves or resources and grades must be considered as estimates only. In addition, the quantity of reserves or resources may vary depending on metal prices. Any material change in the quantity of reserves, resources, grades or stripping ratio may affect the economic viability of PMZ's projects. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Mineral price volatility may adversely affect the Company's financial position and the economics of future project development.

The Company's future revenues, if any, are expected to be in large part derived from the mining and sale of platinum, palladium, gold, silver, zinc, copper and other base metals. The prices of those commodities have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of base and precious metals and therefore the economic viability of any of the PMZ Group's exploration projects, cannot be accurately predicted.

The PMZ Group's prospects depend on its ability to attract and retain key personnel.

Recruiting and retaining qualified personnel is critical to the PMZ Group's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. PMZ believes that it has been successful in recruiting the personnel to meet its corporate objectives but, as the PMZ Group's business activity grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff on the operations side. Although PMZ believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

The Company's share ownership is highly concentrated and Ivanhoe, the Company's principal shareholder, can materially affect control of the PMZ Group's business.

Ivanhoe owns or has rights to acquire approximately 41.5% of the Company's common shares and has the ability to materially affect control of the Company's Board of Directors, the Company's policies, business and affairs and the outcome of any shareholder vote respecting corporate transactions or other matters, including potential mergers, reorganizations or the sale of all or substantially all of the Company's assets. In addition, the concentration of ownership of the Company's common shares in Ivanhoe may have the effect of delaying, deterring or preventing a change in control that otherwise could result in a premium in the price of the Company's common shares.

Certain directors of PMZ are directors or officers of, or have significant shareholdings, in other mineral resource companies and there is the potential that such directors will encounter conflicts of interest with the PMZ Group.

Certain of the directors of the Company are current or former directors or officers of, or have significant shareholdings in, other mineral resource companies, including Ivanhoe, and, to the extent that such other companies may participate in ventures in which the PMZ Group may participate, the directors of PMZ

may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such other companies may also compete with the PMZ Group for the acquisition of mineral property rights. In the event that any such conflict of interest arises, a director who has such a conflict will disclose the conflict to a meeting of the directors of the Company and will abstain from voting for or against the approval of such a participation or such terms. In appropriate cases, the Company will establish a special committee of independent directors to negotiate a transaction or review a matter in which several directors, or management, may have a conflict. For example, a special committee of independent directors was created in October 2003 to negotiate the agreement in principle with Ivanhoe to restructure the terms of the May 2002 participation agreement between Ivanhoe and PMZ.

From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. The May 2002 project participation agreement between the Company and Ivanhoe is an example of such an arrangement. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the PMZ Group will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

ITEM 5: SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table shows selected consolidated financial information related to the Company for the periods indicated:

Selected Annual Information (stated in thousands of U.S. dollars except per share information) ⁽¹⁾

	Year Ended December 31		
	2002	2001	2000
Revenues	-	-	-
Loss from continuing operations	1,847	36	-
Loss from continuing operations per share	0.06	0.00	-
Total assets	5,931	208	-
Long-term debt	-	-	-
Net Loss	1,847	36	-
Net loss per share	0.06	0.00	-

(1) In 2003 the Company changed its method of accounting for exploration costs. In the year ended December 31, 2002 and 2001 the Company capitalized these costs as part of mineral properties and under the new policy these costs are expensed as incurred.

Dividend Policy

The Company has not, since its incorporation, paid any dividends on any of its common shares. The Company has no present intention to pay dividends, but the future dividend policy will be determined by the Board of Directors on the basis of earnings, financial requirements and other relevant factors. See "Risk Factors".

**ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

Reference is made to the Management Discussion and Analysis (amended and restated) ("MD&A") which accompanies the Company's comparative consolidated financial statements for the year ended December 31, 2002 and 2001. The MD&A is incorporated by reference into this AIF.

ITEM 7: MARKET FOR SECURITIES

The common shares of the Company are traded in Canada on the TSX Venture Exchange under the symbol PMZ. The closing price of the Company's common shares on the TSX Venture Exchange on November 18, 2003 was Cdn.\$3.75.

The following chart sets forth the high and low market prices and the volume of the common shares traded on the TSX Venture Exchange during the periods indicated:

(stated in Canadian dollars)

	high	low	volume
Quarter ended March 31, 2002	1.25	0.30	926,329
Quarter ended June 30, 2002	1.56	0.79	4,245,701
Quarter ended September 30, 2002	1.33	0.65	4,895,170
Quarter ended December 31, 2002	1.84	0.80	2,076,662
Quarter ended March 31, 2003	2.36	0.88	6,817,491
Quarter ended June 30, 2003	0.99	0.55	4,384,643
Quarter ended September 30, 2003	1.58	0.53	7,594,828
Month ended October 31, 2003	3.95	1.17	11,773,277

ITEM 8: DIRECTORS AND OFFICERS

Name, Place of Residence and Position with Company⁽¹⁾	Present and Principal Occupation during the last five years	Date of Appointment as Director	Shares Beneficially Owned %
Daniel Kunz President, Chief Executive Officer and Director Boise, Idaho	President and Director of the Company (from February 13, 2003 to present); President and Chief Operating Officer of Ivanhoe Mines Ltd. (from 1998 to February 28, 2003 (COO) and from February 2001 to February 28 2003 (President)).	February, 13, 2003	Nil
Edward Flood Director Ketchum, Idaho	Director, Deputy Chairman, Ivanhoe Mines Ltd. (from 1994 to present).	June 2, 2002	Nil

Name, Place of Residence and Position with Company⁽¹⁾	Present and Principal Occupation during the last five years	Date of Appointment as Director	Shares Beneficially Owned %
Peter Meredith Director North Vancouver, B.C.	Director and CFO Ivanhoe Capital Corp (from June 1999 to present); Senior Partner, Director of Deloitte & Touche LLC (from 1995 to June 1999).	June 2, 2002	Nil
Ian He Director Vancouver, B.C.	President of Spur Ventures Inc. (phosphate mining in China) (from August 1995 to present).	May 31, 2000	Nil
Pierre Lebel Director N. Vancouver, B.C.	Chairman of Imperial Metals Corp. (from March 2001 to present); Corporate counsel for Imperial Metals since 1978.	August 6, 2003	Nil
Greg Shenton Chief Financial Officer	Vice President of Ivanhoe Capital Corp. (from November 1989 to present).	N/A	Nil
Michael Page Vice President	President of Exploration Services Int'l (from November 1996 to present).	N/A	Nil
Beverly Bartlett Corporate Secretary New Westminster, B.C.	Corporate Secretary of Ivanhoe Energy Inc. (from May 2001 to present); Compliance Manager, Global Mining Management Corporation (from April 1997 to present); Assistant Secretary, Ivanhoe Energy Inc. (from 1999 to 2001); Assistant Secretary, Diamondworks Ltd. (from January 1999 to December 1999); Corporate Secretary, Credit Union Central of Canada (from August 1993 to March 1997).	N/A	Nil

- (1) The information as to country of residence, principal occupation and shares beneficially owned or over which a director or officer exercises control or direction has been furnished by the respective directors and officers individually.

Each director's term of office expires at the next annual general meeting of the Company.

Committees of the Board

The Company has an audit committee, compensation and benefits committee, and nominating and corporate governance committee. Each of these committees consists of Pierre Lebel and Ian He.

Shareholdings of Directors and Senior Officers

The aggregate number of common shares of the Company beneficially owned, directly or indirectly, by all directors, officers and promoters of the Company is nil.

Corporate Cease Trade Orders , Bankruptcies, Penalties or Sanctions

No director, officer or promoter of the Company has, within the last ten years: (i) been a director, officer or promoter of any reporting issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the Company access to any statutory exemption for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person; or (ii) been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer or theft or fraud.

Personal Bankruptcies

No director, officer or promoter of the Company, or a shareholder holding sufficient securities of the Company to affect materially the control of the Company, or a personal holding company of any such persons, has, within the 10 years preceding the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the individual.

Conflicts of Interest

Directors and officers of the Company may, from time to time, be involved with the business and operations of other mining issuers, in which case a conflict may arise. See "Risk Factors".

ITEM 9: ADDITIONAL INFORMATION

The Company will provide, upon request to its Secretary, at 654 – 999 Canada Place, Vancouver, British Columbia V6C 3E1:

- (a) when its securities are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed in respect of a distribution of its securities:
 - (i) one copy of this AIF;
 - (ii) one copy of its comparative consolidated financial statements for the year ended December 31, 2002 and auditors' report thereon and the accompanying MD&A;
 - (iii) one copy of its most recent interim consolidated financial statements issued subsequent to December 31, 2002;
 - (iv) one copy of its management information circular dated April 15, 2003 in respect of its 2003 annual meeting of shareholders to be held on June 12, 2003; and

- (v) one copy of any other documents that are incorporated by reference into the aforementioned short form or preliminary short form prospectus;
- (b) at any other time, one copy of the documents referred to in (a)(i), (ii), (iii) and (iv) above provided that the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a securityholder of the Company.

Additional information, including information related to directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities, and interests of insiders in material transactions, is contained in the Company's information circular for the 2003 Annual General Meeting of Shareholders held on May 8, 2003. Additional financial information is provided in the Company's audited financial statements for the fiscal period ended December 31, 2002. Copies of the information circular and financial statements can be obtained upon request from the Company at 654 – 999 Canada Place, Vancouver, British Columbia V6C 3E1.