British Columbia
Securities Commission

QUARTERLY AND YEAR END REPORT
BC FORM 51-901F (previously Form 61)

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INCORPORATED AS PART OF:

X Schedule A

____ Schedule B
(place X in appropriate category)

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
Pacific Minerals Inc.	September 30, 2003	03/11/28

ISSUER'S ADDRESS Suite 654, 999 Canada Place

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Vancouver	B.C.	V6C 3E1	604-682-6728	604-609-0598

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Greg Shenton	Chief Financial Officer	604-609-0598

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
info@pacific-minerals.com	www.pacific-minerals.com

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
"Daniel Kunz"	Daniel Kunz	03/11/28
"Peter Meredith"	Peter Meredith	03/11/28

(Electronic signatures should be entered in "quotations")

PACIFIC MINERALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(expressed in United States dollars)	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Nine months ended September 30, 2002
Revenue				
Royalty income	$ -	$ 26,837	$ -	$ 71,069
Cost of Sales				
Amortization	-	(24,386)	-	(62,134)
Gross Profit	-	2,451	-	8,935
Expenses				
Administration and office	96,915	20,758	200,110	48,376
Amortization	9,384	4,257	29,901	6,965
Business development	115,070	39,891	284,412	139,545
Consulting fees	5,682	37,656	145,454	50,427
Exploration expenses (Schedule)	1,811,692	218,784	2,524,715	1,301,284
Professional fees	49,496	40,996	238,625	81,482
Rent	26,510	9,200	46,199	26,769
Salaries and benefits	79,607	447	172,504	1,566
Shareholder information, transfer agent and filing fees	7,735	50,433	39,204	169,635
Mineral properties written off	-	100	-	40,470
	2,202,091	422,522	3,681,124	1,866,519
Operating Loss	(2,202,091)	(420,071)	(3,681,124)	(1,857,584)
Other Income and Expenses				
Interest income	11,611	17,617	47,827	18,498
Foreign exchange gain / (loss)	3,659	11,469	(60,658)	271
Other income	-	305	4,275	123,460
	15,270	29,391	(8,556)	142,229
Net loss for the period	$ (2,186,821)	$ (390,680)	$ (3,689,680)	$ (1,715,355)
Basic and fully diluted loss per share	$ (0.06)	$ (0.01)	$ (0.10)	$ (0.06)
Weighted average number of outstanding shares	37,800,805	33,503,827	37,346,897	26,961,489

PACIFIC MINERALS INC.
CONSOLIDATED STATEMENTS OF DEFICIT
(Unaudited)

(expressed in United States dollars)	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Nine months ended September 30, 2002
Deficit - beginning of period				
As reported	$ (3,710,635)	$ (365,184)	$ (1,882,871)	$ (35,758)
Adjustment to reflect accounting changes (note 2)	(1,819,852)	(995,249)	(2,144,757)	-
As restated	(5,530,487)	(1,360,433)	(4,027,628)	(35,758)
Net loss	(2,186,821)	(390,680)	(3,689,680)	(1,715,355)
Deficit - end of period	$ (7,717,308)	$ (1,751,113)	$ (7,717,308)	$ (1,751,113)

PACIFIC MINERALS INC.
CONSOLIDATED BALANCE SHEETS

(expressed in United States dollars)	September 30, 2003 (Unaudited)	December 31, 2002 (Unaudited)
ASSETS		
Current		
Cash and cash equivalents	$ 277,079	$ 132,321
Short-term investments	1,479,181	3,165,358
Interest receivable	33,889	28,733
Sundry receivables	89,102	27,521
Prepaid expenses	44,451	31,302
Royalty receivable	-	46,197
Receivable from a related party	-	259,724
	1,923,702	3,691,156
Deferred compensation expenses	256,407	83,090
Capital assets	124,655	90,796
	$ 2,304,764	$ 3,865,042
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 473,082	$ 141,354
Payable to related party	113,672	-
	586,754	141,354
SHAREHOLDERS' EQUITY		
Capital stock (Notes 3 and 6)		
Authorized -		
100,000,000 preferred shares without par value		
100,000,000 common shares without par value		
Issued - 38,022,707 (2002: 36,004,321) common shares	7,931,647	7,291,695
Stock options	556,362	225,785
Contributed surplus	250,302	250,302
Cumulative translation adjustments	697,007	(16,466)
Deficit	(7,717,308)	(4,027,628)
	1,718,010	3,723,688
	$ 2,304,764	$ 3,865,042

APPROVED BY THE BOARD

Director   Director

PACIFIC MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(expressed in United States dollars)	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Nine months ended September 30, 2002
Operating Activities				
Royalty income received	$ -	$ 10,850	$ 50,177	$ 70,526
Interest received	38,620	2,214	49,293	3,155
Other income received	-	-	-	123,460
Cash paid to Joint Venture companies and partners	(1,266,639)	(495,654)	(1,327,727)	(1,007,794)
Cash paid to employees and suppliers	(792,208)	(167,620)	(1,731,988)	(727,889)
	(2,020,227)	(650,210)	(2,960,245)	(1,538,542)
Investing Activities				
Capital asset additions	(7,764)	(42,188)	(47,341)	(43,391)
Redemption / (purchase) of short-term investment	1,472,195	(2,546,879)	2,159,802	(2,546,879)
Cash acquired on acquisition of subsidiary	-	-	-	91,369
	1,464,431	(2,589,067)	2,112,461	(2,498,901)
Financing Activities				
Issuance of common shares and warrants for cash	78,021	3,285,087	538,308	4,618,210
Amount received from related parties	388,578	8,763	414,487	-
	466,599	3,293,850	952,795	4,618,210
(Decrease) / increase in cash and cash equivalents	(89,198)	54,573	105,011	580,767
Effects of foreign exchange fluctuations on cash and cash equivalents	3,659	(17,965)	39,747	-
Cash and cash equivalents - beginning of period	362,618	544,159	132,321	-
Cash and cash equivalents - end of period	$ 277,079	$ 580,767	$ 277,079	$ 580,767
Cash and cash equivalents comprise:				
Cash at bank	$ 277,079	$ 580,767	$ 277,079	$ 580,767

PACIFIC MINERALS INC.
CONSOLIDATED STATEMENT OF EXPLORATION EXPENDITURE
For the Three-month and Nine-month periods ended September 30, 2003
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(expressed in United States dollars)	**2003**	**2002**	**2003**	**2002**
Exploration payments to Joint Venture companies and partners	1,112,544	100,000	1,484,896	890,000
Drilling and other consultants	324,283	15,452	326,049	220,701
Geological consultants	140,737	92,533	597,664	175,718
Project management	63,166	-	76,666	-
Sampling and assaying	101,763	-	128,511	-
General exploration expense	86,050	10,799	64,668	14,864
Exploration expenses recovered	(16,851)	-	(153,739)	-
	$ 1,811,692	$ 218,784	$ 2,524,715	$ 1,301,283

PACIFIC MINERALS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2003
(Expressed in United States dollars)
(Unaudited)

1. Basis of Presentation

The accompanying interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). However, they do not include all the information and disclosures required by Canadian GAAP for annual financial statements. They have been prepared using the same accounting policies and methods of applications as the latest annual consolidated financial statements, except as discussed in Note 2. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been made. The results for interim periods are not necessarily indicative of results for the entire year. The information contained in the interim financial statements should be read in conjunction with the Company's latest annual consolidated financial statements for the year ended December 31, 2002 and the notes thereto.

The unaudited consolidated financial statements include Pacific Minerals Inc. ("the Company"), and all its subsidiaries, including Pacific PGM Inc., Yunnan Copper-Silver Mining Inc., Guizhou Copper-Silver Mining Inc., Yunnan Southern Copper Inc., Yunnan Platinum and Palladium Inc., China Platinum and Palladium Inc., Pacific Gold Mining Inc., Pacific Northern Gold Inc. and Canadian Pacific Minerals Ltd. All significant inter-company transactions and accounts have been eliminated for the purpose of these financial statements.

The prior year figures have been reclassified to conform with current year presentation.

2. Accounting changes

(a) Mineral properties

During the year ended December 31, 2002 and prior years, the Company capitalized the acquisition costs of mineral properties and the related direct exploration expenditures thereon. Effective April 1, 2003, the Company changed its method of accounting for mineral properties with a result that exploration expenditures are expensed as incurred unless the mineral property has been identified as having substantial evidence that a commercial body of ore has been located.

Effective July 1, 2003, the Company also changed its method of accounting for the acquisition costs of mineral properties with the result that payments made to joint venture companies and

2. Accounting changes - continued

(a) Mineral properties - continued

partners, previously considered to be acquisition costs, are now considered to be exploration expenditures which are also expensed as incurred.

These accounting changes are consistent with the current reporting practices of the Company's major shareholder and other companies in the mining industry.

These changes have been applied retroactively and comparative amounts have been restated accordingly, with the result that the net loss for the three months ended September 30, 2003 and 2002 has been increased by $1,112,545 ($0.03 per share) and $100,000 ($0.00 per share), respectively, the net loss for the nine months ended September 30, 2003 and 2002 has been increased by $1,873,725 ($0.05 per share) and $1,095,249 ($0.04 per share), respectively, and the deficit as at December 31, 2002 has been increased by $ 2,144,757, with a corresponding decrease in the carrying amount of mineral properties as at December 31, 2002 by $2,144,757.

(b) Reporting Currency

The Company changed its reporting currency to United States dollar effective June 30, 2003. The change in reporting currency was made to improve investors' ability to compare the Company's results with those of most other publicly traded businesses in the industry. These consolidated financial statements have been translated from Canadian dollars to United States dollars using the current rate method. Under this method, the assets and liabilities are translated using the exchange rate in effect at the respective balance sheet dates. The income statements and the cash flow statements are translated at the average rate for the respective reporting periods. Any resulting foreign exchange gains and losses were recorded as a separate component of shareholders' equity and described as cumulative translation adjustments. The translated amount for non-monetary items at June 30, 2003 became the historical basis for those items in subsequent reporting periods.

2. Accounting changes - continued

(c) Functional Currency

As of July 1, 2003, the Company and its subsidiaries adopted the United States dollars as their primary currency of measurement. The change in the Company's currency of measurement was made due to the increasing number of United States dollar denominated expenditures as a percentage of overall expenditures.

Effective July 1, 2003, the Company translates transactions denominated in foreign currencies to United States dollar at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in a currency other than the measurement currency are translated at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in earnings.

As a result of the change in the currency of measurement, the Company's foreign currency risk has changed from United States dollar denominated monetary assets and liabilities to non-United States dollar denominated monetary assets and liabilities and the risk of the impact of exchange rate changes relative to the United States dollar.

(Expressed in United States dollars)

3. Share Capital

Since December 31, 2002, the Company has issued the following share capital :

	Number of Shares		Amount
Balance, December 31, 2002	36,004,321	$	7,291,695
Shares issued for :			
Exercise of stock options	417,500		106,662
Exercise of warrants	506,386		131,442
Transfer from stock option account upon			
exercise of stock options by non-employees	-		5,228
Balance, March 31, 2003	36,928,207		7,535,027
Shares issued for :			
Exercise of stock options	565,000		137,810
Exercise of warrants	267,000		76,300
Balance, June 30, 2003	37,760,207		7,749,137
Exercise of stock options	222,500		66,640
Exercise of warrants	40,000		11,381
Transfer from stock option account upon			
exercise of stock options by non-employees	-		104,489
Balance, September 30, 2003	38,022,707	$	7,931,647

Stock Compensation – Directors, Officers and Employees

On February 18, 2003, the Company granted 540,000 stock options to certain directors, officers and employees at an exercise price of $0.77 (CDN $1.16) each with an expiry date of February 18, 2008. If the fair value method had been used for these options, a compensation cost of $310,140 would be recorded and amortized over the vesting period.

On May 8, 2003, the Company granted 286,000 stock options to certain directors, officers and employees at an exercise price of $0.57 (CDN $0.80) each with an expiry date of May 8, 2008. If the fair value method had been used for these options, a compensation cost of $96,345 would be recorded and amortized over the vesting period.

(Expressed in United States dollars)

Stock Compensation – Directors, Officers and Employees – continued

On August 6, 2003, the Company granted 880,000 stock options to certain directors, officers and employees at an exercise price of $0.52 (CDN $0.73) each with an expiry date of August 6, 2008. If the fair value method had been used for these options, a compensation cost of $331,768 would be recorded and amortized over the vesting period.

Had the fair value method of accounting for employee stock option-based compensation been used, the Company's net loss and net loss per share would approximate the following pro forma amounts:

	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Nine months ended September 30, 2002
Compensation costs for the period	$ 197,542	$ 255,181	$ 689,813	$ 327,598
Net loss:				
As reported	(2,186,821)	(390,680)	(3,689,680)	(1,715,355)
Pro forma	(2,384,363)	(645,861)	(4,379,493)	(2,042,953)
Net loss per common share - basic and diluted				
As reported	$ (0.06)	$ (0.01)	$ (0.10)	$ (0.06)
Pro forma	(0.06)	(0.02)	(0.12)	(0.08)

Stock Compensation – Non employees and non-directors

On May 8, 2003, 510,000 stock options were granted to consultants of the Company at an exercise price of $0.57 (CDN $0.80) each with an expiry date of May 8, 2008. The compensation benefit for these options, based on their fair value of $170,508, was recorded as deferred compensation cost and is amortized over the vesting period.

On August 6, 2003, 660,000 stock options were granted to consultants of the Company at an exercise price of $0.52 (CDN $0.73) each with an expiry date of August 6, 2008. The compensation benefit for these options, based on their fair value of $248,826, was recorded as deferred compensation expenses and is amortized over the vesting period.

Outstanding stock options and warrants

As at September 30, 2003, there were 3,903,500 stock options outstanding with exercise prices and expiry dates ranging from $0.26 (CDN $0.35) to $0.86 (CDN $1.16) each and August 31, 2004 to May 8, 2008, respectively.

As at September 30, 2003, there were 8,250,000 warrants outstanding with exercise prices and expiry dates ranging from $0.30 (CDN $0.40) to $0.85 (CDN $1.15) each and January 11, 2004 to October 11, 2004, respectively.

4. Related Party Transactions

During the three-month and nine-month periods ended September 30, 2003, the Company paid consulting fees of $5,077 (2002 - $26,138) and $27,590 (2002 - $69,094), respectively, to two companies controlled by two ex-directors.

During the three-month and nine-month periods ended September 30, 2003, the Company paid salary and overhead costs to a management company of $127,770 (2002 - $nil) and $205,523 (2002 - $nil), respectively, in which it shares an office, employees, and has officers and directors in common, and accounting fees of $5,961 (2002 - $5,301) and $17,823 (2002 - $10,671), respectively, to an accounting firm of which a former officer is a partner.

During the three-month and nine-month periods ended September 30, 2003, the Company paid overhead of $12,046 (2002 - $nil) and $24,341 (2002 - $nil), respectively, to a company in China which has an officer in common.

(Expressed in United States dollars)

5. Segmented Information

	China	Canada	Total
As at September 30, 2003			
Capital assets	85,799	38,856	124,655
As At December 31, 2002			
Capital assets	59,123	31,673	90,796

6. Subsequent Events

Subsequent to September 30, 2003:

(a) The Company and Ivanhoe Mines Ltd. ("IVN") reached an agreement in principle to restructure their mineral exploration and development joint venture dated May 31, 2003. The revised agreement will reduce from 80% to 50% the maximum interest IVN can earn in the 217 Gold Project, the JBS Platinum and Palladium Projects and the Dandong (QCZ) Gold Project. The revised agreement also provides that IVN and the Company will immediately form a 50/50 joint venture on each of these three projects and that IVN will reimburse the Company for 50% of expenditures incurred to date. IVN retains the right to earn up to an 80% interest in any new projects acquired by the Company in China. In addition, IVN has agreed to transfer to the Company 50% of its interest in the Shuteen exploration license which is located in southern Mongolia. IVN has the right to earn an 80% interest in the Shuteen exploration license by spending $1.5 million on exploration before December 31, 2004. To date, IVN has spent approximately $1.4 million on this property. In exchange for the transfer of the interest in the Shuteen exploration license and agreeing to the restructuring of the mineral exploration and development joint venture, the Company has agreed to issue to IVN 2.5 million Common Shares.

In addition, IVN has agreed to purchase an additional 2.5 million units of the Company at a price of CDN. $1.75 per unit, for gross proceeds to the Company of $3.37 million (CDN

6. Subsequent Events – continued

$4.375 million). Each unit will consist of one Common Share and one Common Share purchase warrant. Each Common Share purchase warrant will be exercisable for one Common Share at a price of CDN. $2.20 per share for a period of two years from the closing date.

(b) The Company has arranged a private placement to sell 3 million units at a price of CDN. $1.60 per unit, for gross proceeds to the Company of $3.7 million (CDN $4.8 million). Each unit will consist of one Common Share and one half of a Common Share purchase warrant. Each whole Common Share purchase warrant will be exercisable for one Common Share at a price of CDN $2.20 per share for a period of two years from the closing date.

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QUARTERLY AND YEAR END REPORT
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INCORPORATED AS PART OF:

________ Schedule A

X Schedule B
(place X in appropriate category)

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
Pacific Minerals Inc.	September 30, 2003	03/11/28

ISSUER'S ADDRESS Suite 654, 999 Canada Place

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Vancouver	B.C.	V6C 3E1	604-682-6728	604-609-0598

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Greg Shenton	Chief Financial Officer	604-609-0598

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
info@pacific-minerals.com	www.pacific-minerals.com

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

"Daniel Kunz"	Daniel Kunz	03/11/28
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
"Peter Meredith"	Peter Meredith	03/11/28
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

PACIFIC MINERALS INC.
SCHEDULE B : SUPPLEMENTARY INFORMATION
September 30, 2003

1. Related Party Transactions

During the three-month and nine-month periods ended September 30, 2003, the Company paid consulting fees of $5,077 (2002 - $26,138) and $27,590 (2002 - $69,094), respectively, to two companies controlled by two ex- directors.

During the three-month and nine-month periods ended September 30, 2003, the Company paid salary and overhead to a management company of $127,770 (2002 - $nil) and $205,523 (2002 - $nil), respectively, in which it shares an office, employees, and has officers and directors in common, and accounting fees of $5,961 (2002 - $5,301) and $17,823 (2002 - $10,671), respectively, to an accounting firm of which a former officer is a partner.

During the three-month and nine-month periods ended September 30, 2003, the Company paid overhead of $12,046 (2002 - $nil) and $24,341 (2002 - $nil), respectively, to a company in China which has an officer in common.

2. Capital Stock

	Number of Shares		Amount
Balance, December 31, 2002	36,004,321	$	7,291,695
Shares issued for :			
Exercise of stock options	417,500		106,662
Exercise of warrants	506,386		131,442
Transfer from stock option account upon exercise of stock options by non-employees	-		5,228
Balance, March 31, 2003	36,928,207		7,535,027
Shares issued for :			
Exercise of stock options	565,000		137,810
Exercise of warrants	267,000		76,300
Balance, June 30, 2003	37,760,207		7,749,137
Shares issued for :			
Exercise of stock options	222,500		66,640
Exercise of warrants	40,000		11,381
Transfer from stock option account upon exercise of stock options by non-employees	-		104,489
Balance, September 30, 2003	38,022,707	$	7,931,647

3. Share Purchase Warrants

The outstanding share purchase warrants as at September 30, 2003 can be summarized as follows:

PACIFIC MINERALS INC.
SCHEDULE B : SUPPLEMENTARY INFORMATION
September 30, 2003

3. Share Purchase Warrants - continued

Number	Exercise price CDN	USD equivalent	Expiry date
1,150,000	$ 0.40	$ 0.30	January 11, 2004
5,100,000	1.00	0.74	July 2, 2004
2,000,000	1.10	0.81	October 11, 2004
8,250,000			

These share purchase warrants are exercisable by the warrant holders at the amount of Canadian dollars per share specified. The exercise prices are translated into the United States dollar equivalents, at the exchange rate in effect at the balance sheet date, for reference only.

4. Stock Options

During the nine-month period ended September 30, 2003, the Company granted the following options to directors, officers and employees:

Name of Optionee	Capacity	Number of Options	Date of Grant	Expiry Date	Exercise Price CDN	USD Equivalent
Daniel Kunz	Director	300,000	18-Feb-03	17-Feb-08	$ 1.16	$ 0.86
Ian He	Director	80,000	18-Feb-03	17-Feb-08	1.16	0.86
Lou Duarte	Director	80,000	18-Feb-03	15-Oct-03	1.16	0.86
Tom Beattie	Officer	80,000	18-Feb-03	16-Jun-03	1.16	0.86
Beverly Bartlett	Officer	30,000	8-May-03	8-May-08	0.80	0.59
Saundra Karlson	Officer	10,000	8-May-03	8-May-08	0.80	0.59
Others	Employees	246,000	8-May-03	8-May-08	0.80	0.59
Daniel Kunz	Director	100,000	6-Aug-03	6-Aug-08	0.73	0.54
Ian He	Director	110,000	6-Aug-03	6-Aug-08	0.73	0.54
Ed Flood	Director	80,000	6-Aug-03	6-Aug-08	0.73	0.54
Peter Meredith	Director	80,000	6-Aug-03	6-Aug-08	0.73	0.54
Danny Hon	Officer	20,000	6-Aug-03	6-Aug-08	0.73	0.54
Pierre Lebel	Director	250,000	6-Aug-03	6-Aug-08	0.73	0.54
Beverly Bartlett	Officer	50,000	6-Aug-03	6-Aug-08	0.73	0.54
Saundra Karlson	Officer	20,000	6-Aug-03	6-Aug-08	0.73	0.54
Others	Employees	170,000	6-Aug-03	6-Aug-08	0.73	0.54
		1,706,000				

4. Stock Options - continued

During the nine-month period ended September 30, 2003, the Company also granted the following stock options to consultants:

510,000 stock options on May 8, 2003 at an exercise price of CDN $0.80 (USD $0.57) each with an expiry date of May 8, 2008.

660,000 stock options on August 6, 2003 at an exercise price of CDN $0.73 (USD $0.54) each with an expiry date of August 6, 2008.

The outstanding options as at September 30, 2003 can be summarized as follows:

Outstanding options	Exercise Price CDN	USD equivalent	Expiry date
93,750	$ 0.40	$ 0.29	November 30, 2006
450,000	0.90	0.66	June 1, 2007
40,000	1.05	0.77	June 30, 2005
70,000	0.90	0.66	August 31, 2005
6,250	0.90	0.66	August 31,2004
50,000	1.05	0.77	June 30, 2007
175,000	0.90	0.66	October 4, 2004
272,500	0.90	0.66	August 31, 2007
460,000	1.16	0.86	February 17, 2008
746,000	0.80	0.59	May 8, 2008
1,540,000	0.73	0.54	August 6, 2008
3,903,500			

These stock options are exercisable by the optionees at different vesting periods at the amount of Canadian dollars per share specified. The exercise prices are translated into the United States dollar equivalents, at the exchange rate in effect at the balance sheet date, for reference only.

5. Directors and Officers

The names of the directors and officers as at the date this report is signed and filed are as follows:

Daniel Kunz, President & Director
Peter Meredith, Director
Pierre Lebel, Director
Ian He, Director
Ed Flood, Director
Greg Shenton, Chief Financial Officer
Beverly Bartlett, Secretary

PACIFIC MINERALS INC.
SCHEDULE C: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Periods covered
January 1, 2002 to September 30, 2003
(Expressed in U.S. Dollars)

Overview

Pacific Minerals Inc. ("the Company") is a development stage company engaged in the acquisition and exploration of mineral properties in the People's Republic of China ("China"). The Company is a reporting issuer in British Columbia and trades on the TSX Venture Exchange under the symbol PMZ.

- Exploration highlights

  The 2003 field program has rapidly progressed since Q2 and is on target to meet our exploration objectives for this year. Major geophysical programs at the native copper and QCZ gold projects have been advanced towards identification of drill targets. Drilling campaigns are now underway at the JBS platinum palladium, QCZ gold and native copper projects. The planned 6,054 meter drilling program at the 217 Gold project was completed at the end of September and a first stage drilling program of some 1200m on the QCZ Dandong gold project has almost been concluded. An updated Instrument 43-101 resource estimate for the 217 Gold project will be completed in early December pending assay results.

- Corporate reorganization

  On January 18, 2002 the Company acquired all the shares of Pacific PGM Inc ("PPI"). For accounting purposes, the acquisition was deemed a reverse takeover whereby PPI was treated as the accounting parent and the Company as the accounting subsidiary. As a result, on a consolidated basis, the value of the Company's share capital at January 18, 2002 was reduced to almost nil and the shares issued by PPI to PGM were valued at the Company's net asset value at that date.

- Mineral property agreements

  In 2002 and in Q2'03, the Company negotiated 6 joint venture agreements with several Chinese partners. The various mineral properties, located in China's Yunnan, Guizhou and Liaoning provinces and Inner Mongolia, include platinum and palladium, gold and native copper projects.

  The Dandong (QCZ) Gold project agreement in Liaonong Province was signed on July 30, 2003 and the business licence for the sino-foreign joint venture company, Liaoning Pacific Gold Mining Co Ltd (LPGM) was issued on September 30, 2003.

  New Exploration Permit applications have been submitted in Q3 for new properties in the Far West of Inner Mongolia (Xiaohuangshan) and are expected to be processed by the end of the year.

  While some of the projects are at an early exploration stage, others such as the 217 Gold project and the JBS Platinum and Palladium project were explored extensively by previous Chinese partners and are at the scoping and pre-feasibility study stage.

- Funding and mineral exploration agreements with Ivanhoe Mines Ltd

  In May and September 2002, the Company completed two private placement financings with Ivanhoe Mines Ltd. ("Ivanhoe"). In the first financing, the Company issued 5.1 million common shares at CDN$0.90 per share for a total of $3 million (CDN$4.6 million). In the second financing, the Company issued 2 million common shares at CDN$1.00 per share for a total of $1,267,580 (CDN$2 million). The two financings included a total of 7.1 million warrants with a two year maturity and convertible into common shares of the Company at prices ranging from CDN$1.00 to CDN$1.10 per share.

In the May 2002 financing, the Company granted Ivanhoe, for a period of ten years, the first right of refusal to participate on any mineral property interest acquired in China by the Company. For each new project Ivanhoe and The company will each contribute equally on the first $1 million expenditure per project, thereafter, the Company will retain a carried interest in the project through to development.

On October 24, 2003 Ivanhoe and the Company reached an agreement-in-principle to restructure their May 2002 mineral exploration and development joint venture. The revised agreement will reduce from 80% to 50% Ivanhoe's maximum earn-ins on the Company' interests in Pacific's most significant projects in China, including: the 217 Gold Project in the Inner Mongolia Region; the Dandong (QCZ) Gold Project in Liaoning Province; and the JBS Platinum and Palladium development and exploration projects in Yunnan Province. Ivanhoe will reimburse the Company 50% of expenditures incurred to date on these three projects. Ivanhoe retains the right to earn up to 80% of the available interest in any new projects acquired by the Company in China (excluding properties acquired by the Company in Anhui and Liaoning provinces), under terms similar to those announced in June, 2002. The revised agreement also contains a mutual non-compete clause, whereby the Company agrees not to compete for any new mineral properties in the Inner Mongolia Region and Ivanhoe undertakes not to compete for any new mineral properties in Liaoning Province.

In addition, Ivanhoe has agreed to transfer to the Company 50% of its interest in the Shuteen exploration licence in southern Mongolia. The project has similar geological characteristics and is within the same copper-rich mineral belt that hosts Ivanhoe's Turquoise Hill and Kharmagtai porphyry copper-gold projects. The Shuteen exploration license covers approximately 93 square kilometres (36 sq. miles), approximately 100 kilometres east of Kharmagtai. Ivanhoe acquired the right to earn an 80% interest in Shuteen in early 2002 by undertaking to complete a $1.5 million exploration program before December 31, 2004. To date, Ivanhoe has spent approximately $1.4 million on the project.

In exchange for the transfer of the interest in the Shuteen Property and agreeing to the restructuring of the mining exploration agreement, the Company has agreed to issue to Ivanhoe 2.5 million Common Shares. In addition, Ivanhoe has agreed to purchase an additional 2.5 million units of the Company at a price of CDN$1.75 per unit, for net proceeds to the Company of $3.37 million (CDN$4.375 million). Each unit will consist of one common share and one common-share purchase warrant. Each warrant will be exercisable for one common share at a price of CDN$2.20 per share for two years from the closing date.

The Company also has arranged a private placement to sell an additional three million units at a price of CDN$1.60 per unit, for net proceeds to the Company of $3.7 million (CDN$4.8 million). Each unit will consist of one common share and one-half of a common-share purchase warrant. Each whole warrant will be exercisable for one common share at a price of CDN$2.20 per share for two years from the closing date. The private-placement financing and the agreement-in-principle to restructure the joint venture are subject to requisite regulatory and board approvals.

Ivanhoe also may, in appropriate circumstances, make available to the Company future opportunities in Mongolia and China. If any such opportunity falls within a 20-kilometre radius of Ivanhoe's then existing properties, Ivanhoe will retain the right to earn up to 80% of the available interest.

- Change of Management

On June 2002, two representatives of Ivanhoe, Mr. Ed Flood and Mr. Peter Meredith, were appointed to the Company's Board of Directors.

In Q1'03 Mr. Rui Feng resigned as president and director and Mr. George Plewes resigned as director of the Company and Mr. Daniel Kunz was appointed president and director of the Company. In July 2003, Mr. Lou Duarte resigned as a director of the Company. Key exploration managers with substantial related experience were assigned to each project area. Mike Page was named manager of the JBS and native copper projects. Willem Fucther was named manager of the Dandong gold project and Jay Chmelauskas was assigned the manager of the 217 gold project.

On November 7, 2003, Mr Greg Shenton was appointed Chief Financial Officer of the Company replacing Mr. Danny Hon.

- Accounting changes

Three significant accounting changes were adopted in the second and third quarter of 2003.

Effective April 1, 2003, the Company expensed direct exploration and development expenditures for mineral properties, previously capitalized. Future direct exploration and development expenditure will only constitute part of the cost of mineral properties when there is substantial evidence that a commercial body of ore has been located.

Effective July 1, 2003, the Company also expensed the acquisition payments made to joint venture companies and partners, previously considered to be mineral property acquisition costs.

These changes have been applied retroactively and have increased the net loss for the first three quarters to September 30, 2003 by $1,873,725 and increased the deficit as at December 31, 2002 by $2,144,757, with a corresponding decrease in the carrying amount of mineral properties as at December 31, 2002 by $2,144,757.

Effective June 30, 2003, the Company and its subsidiaries adopted the Unites States dollars as their primary currency of measurement. In the preparation of financial statements for Q2'03, previous years and previous periods have been translated from Canadian dollars to United States dollars using the current rate method.

These accounting changes are consistent with the current reporting practices of the Company's major shareholder and other companies in the mining industry.

Critical Accounting Policies

A detailed summary of all of the Company significant accounting policies is included in Note 3 to the annual Consolidated Financial Statements for the year ended December 31, 2002.

Management is required to make assumptions and estimates that affect the valuation of its mineral properties. The carrying value of each property currently in the exploration or development stage is evaluated as to the project economics, including the timing of the exploration and/or development work, the work programs and the exploration results experienced by the Company or others. The review of the carrying value of each producing property is made by reference to the estimated future operating results and net cash flows. When the carrying value of a property exceeds its estimated net recoverable amount, provision is made for the decline in value.

The recoverability of amounts capitalized for undeveloped minerals properties and deferred development costs is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Following generally accepted accounting principles, impairments in the valuation of mineral assets are recorded in the Company's consolidated financial statements, while increases in the valuation of mineral assets are not permitted. The most likely changes in estimates used in the valuation of mineral assets are the changes in estimates based on noticeable changes in trends of operating costs and commodity prices. A small percentage change in costs or revenues, when spread over the remaining life of a mining project, that can exceed twenty years, can have a significant impact on the valuation calculations, resulting in a material reduction in the valuation of the Company's mineral properties.

Forward Looking Statements

Except for statements of historical fact relating to the Company together with its subsidiaries and joint venture (collectively referred to as "Pacific Minerals"), certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other ecological data, fluctuating metal prices, the possibility of project costs overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors described in this report under the heading "Outlook". The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

Exploration and Development

During the period from January 1, 2002 to September 30, 2003 total Joint Venture contributions totaled approximately $4.2 million.

	U.S.$(000)			
	Funding of JV Company	Paid To Chinese Partner	2002 Expenditure by JV	Nine months to September 30, 2003 Expenditure by JV
Gold Projects:				
217 Gold	1,463	276	581	467
Dandong (QCZ) Gold	215	0	0	0
	1,678	276	581	467
Platinum and Palladium Project:				
JBS Platinum and Palladium	1,217	0	361	266
Native Copper Projects:				
Zhaotong	615	0	0	0
Huize-Xuanwei	615	0	0	0
Guizhou	116	0	0	0
	1,346	0	0	0
	4,241	276	942	733

Gold

a) 217 Gold project

Property description - The 217 Gold project consists of a licensed area of 36 square kilometers (“km^2”) in the western part of Inner Mongolia, northern China. The 217 Gold project is centrally positioned within the east-west-trending Tian Shan Gold Belt. This prolific gold belt hosts seven major gold mines that have collectively produced more than 70 million ounces of gold and have approximately 100 million ounces remaining in reserves and resources. The site is approximately 650 kilometers (“km”) northwest of Beijing and 160 km south of Ivanhoe Mines' major gold and copper discovery at Turquoise Hill (Oyu Tolgoi), in southern Mongolia.

Option agreement- In April 2002, the Company entered into a joint venture agreement with a Chinese partner to acquire a 96.5% interest in the 217 Gold project. Under the terms of the agreement, the Company earned a 55% interest in the project by paying $250,000 to the joint venture company Ningxia Pacific Mining Co. Ltd. (“NPM”). The Company can earn an additional 41.5% interest by making, over a three year period, payments totaling $750,000 to the Chinese partner. Finally the Chinese partner is also entitled to receive from the Company two $1 million payments, the first one being when the decision is made to start construction of a mining operation and the second, thirty days following commencement of commercial mining operations.

Funding arrangement – Under the terms of the agreement-in-principle dated October 24, 2003, Ivanhoe and the Company Minerals will each fund 50% of the exploration expenditures on the project. In addition, Ivanhoe will reimburse the Company for its 50% of expenditures since inception of the project. If either party elects not to fund its proportionate share of expenditures, then that party's participating interest in the joint venture will be diluted pursuant to a mutually acceptable dilution formula. If the party's participating interest is diluted below 15%, then the interest will be deemed to have been converted into a 10% net profits interest.

Exploration results

Past History - The 217 Gold project was initially discovered twenty years ago. Between 1990 and 1998, extensive exploration activities were undertaken on the project, including geological mapping, soil and rock geochemical surveys, surface trenching, the driving of a 188 meter long decline, and heap leaching of a 30,000 tonne test sample. In 1999, a major drilling program totaling 2,800 meters was completed. Results from this program confirmed the presence of a low grade gold bearing zone over a length of 4.6 km.

In 2002, the main Northeast Zone ("NGZ"), which is about 1,600 meters ("m") long and up to 200 m wide, was tested with a drilling program including twenty holes totaling 4,997 m. Three additional holes were also drilled to test two significant geophysical targets situated to the south of the NGZ zone and the farthest southern extension of the Southwest Gold Zone ("SGZ").

During 2002, preliminary metallurgical tests on both sulfide and oxide samples were conducted by SGS Lakefield in Ontario. Samples from old drill core were used in the preparation of the sulfide composite while samples obtained from several surface pits were used in the preparation of the oxide composite. The preliminary test results indicate that the metallurgical properties of the project are simple and gold can be effectively extracted with low-cost processes. Preliminary metallurgical tests have achieved in excess of 95% gold recovery for both the oxide and sulphide mineralization using gravity separation and cyanidation.

In March 2003, a property resource estimate was prepared by M. Gao, P. Geol, and R. D. Westervelt, P.Eng., using the Minesite computer software program. This study outlined a substantial near surface deposit in the NGZ zone containing measured and indicated resources of approximately 35 million tonnes grading 0.85 grams of gold per tonne ("g/t") or 953,000 ounces using a 0.6 g/t gold cutoff. At the same cutoff, an additional inferred resource of 85 million tonnes grading 0.93 g/t gold or 2,543,130 ounces was defined within the NGZ zone and extending southwesterly along the SGZ zone.

A 33 hole (6,054 meter) drilling program was completed at the end of September. The objective of the diamond drilling program was 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. An updated Instrument 43-101 resource estimate will be completed in early December and is pending assay results.

A one tonne representative sample was shipped to Lakefield Research in Ontario in early July for additional metallurgical testing. Test results should be completed by the end of the year. In addition, one drillhole from this years drilling campaign was dedicated to metallurgical and geotechnical testing. Bulk representative core samples from this drillhole were shipped to a laboratory in Yinchuan, China for further metallurgical and geotechnical testing that commenced in early November.

A scoping study is underway to define the Chinese capital and operating costs and production parameters for a major low-grade open pit operation. A highly respected Chinese design institute with experience developing the largest gold mine in China (also low grade) has been hired to complete the independent scoping study. In addition, an audit team consisting of western consulting experts has been assembled to review the work prepared by the Chinese engineers and provide western technological input and expertise. This preliminary scoping study will be completed by the end of the year. Based on the results of the scoping study, next years program and budget will be planned to include pre-feasibility/feasibility studies, additional drilling and metallurgical testing, and mining and environmental permitting.

As September 30, 2003, the Company has made contributions to NPM as registered capital and incurred exploration expenditures aggregating $1,463,042 and paid $276,297 to the Chinese partner. NPM has spent $581,472 in year

2002 and $466,577 in the nine months ended September 30, 2003 directly on the drilling program. 50% of these amounts are recoverable from Ivanhoe.

b)) Dandong (QCZ) Gold Project

Property description – The Dandong (QCZ) Gold project is situated in the eastern Liaoning Province, some 140 km southwest of the provincial capital of Shenyang and about 120 km northwest of Dangdong which lies on the Yalu River and border of North Korea. The project covers 480 km^2 of exploration permit located within an overall 790 km^2 area of interest. The gold deposits and occurrences in the QCZ Dandong project area from part of the Changbaishan gold province of north-eastern China, which comprises two main districts situated in the Jilin Province to the north and the Liaoning Province to the South.

Option agreement - The Company must pay the Chinese partner $4 million over six years and contribute an additional $16 million to the joint venture company, Liaoning Pacific Gold Mining Co Ltd. ("LPGM") in order to earn an 80% interest in LPGM. The Company can increase its interest to 90% through contributing an additional $10 million, to LPGM. The first payment of $200,000 to the Chinese partner is due 6 months after formal approval has been obtained, and a further payment of $300,000 is due 12 months after formal approval has been obtained. Formal approval is expected to be obtained in late December 2003.

Funding agreement – Under the terms of the agreement-in-principle dated October 24, 2003, Ivanhoe and the Company will each fund 50% of the exploration expenditures on the project. In addition, Ivanhoe will reimburse the company for its 50% of expenditures since inception of the project. If either party elects not to fund its proportionate share of expenditures, then that party's participating interest in the joint venture will be diluted pursuant to a mutually acceptable dilution formula. If the party's participating interest is diluted below 15%, then the interest will be deemed to have been converted into a 10% net profits interest.

Exploration results

In 2002, the Company identified the potential of the Dandong (QCZ) Gold project area, and concluded preliminary negotiations in November 2002 with the project's Chinese partner. The agreement was signed on 30 July 2003, and an exploration program (the 2003 program) was started in early August 2003. The 2003 program contemplated minimal geophysics (ground magnetics and IP profiling over selected targets), and sampling of recently completed trenches in order to select drill targets in the JSZ (high-grade) and GCD (high-grade / low-grade) target areas within the area of interest. Since the start of the exploration, the Company has carried out the following:

- Processed and interpreted historic data (soil geochem, stream sediment geochem, mag, topography)
- Set-up QA/QC protocols consistent with 43-101 requirements
- Conducted counterpart training (particularly with respect to the processing of diurnally-corrected mag data; the use of multichannel IP receivers, and quality control procedures
- Undertaken preliminary geological mapping over one of the target areas (GCD); the work was largely done by the LNFGEI and remains a work-in-progress
- Mag survey over GCD and JSZ
- IP survey over GCD and JSZ
- Drill proposals for GCD
- Some 1000m of drilling on GCD.

Drilling has intersected interestingly looking mineralization; however, a definitive answer to the potential of the area can only be given upon receiving the results form the lab. Drill core is being stored in a secure storage facility in Tongyuanpu, and drill samples have been prepared by Langfang labs in Beijing. Analysis is being undertaken by ALS-Chemex in Vancouver, and results should be available by December 2003.

As of September 30, 2003, the Company has made contributions to LPGM as registered capital and incurred exploration expenditures aggregating $215,141, 50% of which is recoverable from Ivanhoe.

Platinum & Palladium

JBS Platinum and Palladium Project

Property description – The JBS Platinum and Palladium project is located in the Yunnan Province and is situated approximately 200 km west of the capital city of Kunming. The JBS property, located within 45km of both rail connections and electrical power lines, comprise three Exploration Permits totaling 55.61 km2. The exploration permits are free of royalty obligations.

Option agreement – In October 2001, the Company negotiated a joint venture agreement with a Chinese partner in which the Company must make total cash contribution of $14 million over five years to earn a 70% interest in the joint venture company Yunnan Yunbao Platinum & Palladium Mining Co. Ltd. ("YYPP"). Additional amounts of $750,000 and $12.5 million must be contributed to the Chinese partner within two and five years respectively from October 1, 2001. Both the Company and the Chinese partner will share subsequent cash contributions and profits on a 70/30 basis.

Funding agreement – Under the terms of the agreement-in-principle dated October 24, 2003, Ivanhoe and the Company will each fund 50% of the exploration expenditures on the project. In addition, Ivanhoe will reimburse the company for its 50% of expenditures since inception of the project. If either party elects not to fund its proportionate share of expenditures, then that party's participating interest in the joint venture will be diluted pursuant to a mutually acceptable dilution formula. If the party's participating interest is diluted below 15%, then the interest will be deemed to have been converted into a 10% net profits interest.

Exploration results

Past history – The JBS Platinum and Palladium project was intensively explored over the last thirty years. The database of information collected since the 1970s is extensive and was found by the Company's geological consultants to have been collected in a professional manner. Surface exploration activities on the project during that period included, regional geological mapping, regional soil geochemical surveys over a 30km by 50km area surrounding the property and 64,000 m of surface drilling in 150 holes. Underground work on the project included the completion of two underground adits over a length of approximately 2 km, approximately 300-500 m of underground drilling and underground channel sampling at 1m intervals along the lower of the two adits and in some cross-cuts. In year 1999 and 2000, metallurgical test work at a bench and pilot-plant scale was completed. A more detailed summary of historical work completed on the JBS Platinum and Palladium property is included in a report prepared in 2001 by Hatch Associates Ltd., a copy of which has been filed with regulatory agencies.

As none of the original surface drill core is available for check assaying, an additional drilling program is required in order to confirm the structural model and the resources estimates previously calculated the project owners.

Accordingly a two phase exploration program was undertaken in 2002. The first phase, estimated to cost $300,000 and be completed by September 2003, included underground mapping and sampling, drilling and technical work to produce a more precise geological structural model. Upon successful completion of the first phase, the second phase, estimated at $1.2 million, will proceed toward the completion of a bankable feasibility study.

In March 2003, the Company announced drilling results at the JBS Platinum and Palladium project indicating the intersection of significant high-grade platinum, palladium and gold mineralization. The results, conducted as infill holes between previous drilling by the Chinese partner, are confirming the high-grade potential and excellent continuity of this deposit. The main intent of the current drilling program is to confirm the grade and geometry of mineralization in the deposit and to provide geotechnical information to support development of a detailed underground mine plan. The program also intends to define the outer boundaries of economic mineralization. In Q2'03 complete assay results were made available on the Company's website for the holes that have been drilled to date. The remainder of results from this infill drilling program has been received and is being compiled for use in the block modeling program (below). The data will be posted on the Company's Website.

Resource Modeling

The initial part of phase-two exploration is a scoping study with has a budget of US$ 150,000. During the initial April 2003 tour of JBS, the new management suspected strong magmatic controls on the distribution of mineralization. As a precursor to building a resource block model in the scoping study, this observation needed to be confirmed by detailed documentation, since it could be an important influence on the distribution of mineralization. In September 2003 the Company's geologists reviewed the underground drill core and confirmed the presence of a primary magmatic trough that contains the JBS Pt-Pd-Ni-Cu mineralization. This work identified a previously unrecognized consistent internal stratigraphy in the trough that confirms the lower basal mineralized zone (K1), the higher grade upper hangingwall (K2) zone, and an intervening distinctive chromite horizon. The magmatic trough and the position of the basal and hangingwall mineralized zones are very similar to the Noril'sk Ni-Cu-PGE orebodies in Russia. Recognizing this stratigraphy will establish better confidence in correlating individual intersections, modeling high grade zones, and overall structure. The information will provide the firm geological basis needed for generating a block model that can be evaluated from a mining perspective.

Resource consultants McDonald Speijers of Perth, Western Australia have been retained to review past work, the current database, and to generate a resource block model of the JBS deposit. The site visit was completed at the end of September 2003. Upgrading the drill hole database with the new stratigraphy, preparing the database for use in Datamine modeling package, and upgrading all cross-sections and log-sections for wire framing is due for completion in China in November 2003. All data will then be transferred to Perth for analysis.

Metallurgical Testing

Two bulk underground samples have been sent to Mintek of South Africa for metallurgical tests designed to improve on the current PGE recoveries of ~ 77%. Mintek is the premier, metallurgical testing laboratory servicing the South Africa platinum industry. They have a track record for maximizing PGE recoveries in the Bushveld operations in South Africa.

As of September 30, 2003, the Company has made contributions to YYPP as registered capital and incurred exploration aggregating $1,217,424. YYPP has spent $361,234 in year 2002 and $266,000 in the nine months ended September 30, 2003 directly on the drilling and exploration programs.

JBS Regional

In Q2'03 the Company started a reconnaissance exploration program within the same geologic belt as the JBS Platinum and Palladium project. During 2001 the JBS Joint Venture acquired approximately 363 km^2 in Exploration Permits scattered throughout the belt. In Q3 2003, the Joint Venture was granted an additional 918.10 km^2 of exploration permits giving it a commanding position in this PGE - Nickel belt, with some 1332 km^2 under Joint Venture control.

Analysis of 4761 regional stream sediment samples has highlighted numerous PGE anomalies within the Permits that require investigation. Preliminary field work has already identified previously unknown Ni mineralization and JBS type ultramafics. A 4,000 line kilometre airborne magnetic survey is currently out to tender. Drilling is planned for Q2 2004.

Native Copper

Property description –In the summer of 2002, Chinese geoscientists publicly announced their findings that native copper occurrences in Yunnan, Sichuan and Guizhou provinces in China strongly resembled the style of copper mineralization which has been mined in the state of Michigan, USA for over one hundred years. Based on that announcement, the Company undertook to stake exploration permit areas in the northeast part of the Yunnan province. The staked areas are included in three separate joint venture agreements, namely the Zhaotong (North) project, the Huize-Xuanwei (South) project, both in Yunnan Province, and the Guizhou project, in neighboring

Guizhou Province. Joint Venture permit areas in Yunnan cover some 2900 square kilometers. The three copper projects are located approximately 460km from Kunming.

Option agreements –

a) Zhaotong (North) Project

On December 2002, the Company entered into a joint venture agreement with a Chinese partner to develop the Zhaotong project. The Company must contribute $4 million to the Chinese joint venture over three years in order to earn a 70% interest in the joint venture company, Yunnan Xinzhao Copper Mining Co. Ltd. (“YXCM”).

b) Huize-Xuanwei (South) Project

On December 2002, the Company entered into a joint venture agreement with a Chinese partner to develop the Huize-Xuanwei project. The Company must contribute $4 million to the Chinese joint venture over three years in order to earn a 75% interest in the joint venture company, Yunnan Xindian Mining Co. Ltd. (“YXM”).

c) Guizhou Project

In July 2003, the Company negotiated a joint venture agreement with a Chinese partner to explore in Guizhou Province. The Company originally agreed to contribute $4 million to the Chinese joint venture over three years in order to earn a 75% interest in the joint venture. Revised negotiations in Q3 2003 allow vesting of the 75% equity after the initial capital investment of $600,000. The first US$ 4.0 million of capital requirements of the Joint Venture would be provided by the Company, after which the partners will contribute on a pro rata basis. During this period each partner can dilute, but the maximum equity the Company can earn is 87.5%. The Company will control the board, however if the Company’s contribution to registered capital does not reach $1.34 million, control will shift to our partner. Signing of the Agreement is planned for mid Q4 2003.

Funding agreement – On December 19, 2002, Ivanhoe exercised its right according to the private placement agreement with the Company dated May 31, 2002 to participate in the Zhaotong (North) project, the Huize-Xuanswei project and the Guizhou project. For each project, the Company and Ivanhoe agreed to contribute equally on the first $1 million of expenditure, with the property interest from the Chinese partner divided equally between them. Upon completion of the initial $1 million of expenditures, Ivanhoe will have the option to acquire 50% of the Company’s interest in the project by completing a feasibility study. On completion of the feasibility study, Ivanhoe will have the option to acquire a further 20% of the Company’s interest in the project by arranging the funding necessary to take the project to production.

Exploration results

Past history – The presence of ancient slag found in many places in the area, confirms that mining activities in the region dates back at least several hundred years. Even today, local small-scale mining activities are numerous and every now and then big pieces of native copper nuggets are reported up to over 100 pounds in size. Despite the ongoing mining, previous exploration in the area ignored the native copper occurrences completely.

Exploration by the Company has focused in Yunnan. Only limited work has been completed in the adjacent province of Guizhou. Major exploration will begin there after the Joint Venture contract is signed. In Q4’02, the Company started an extensive exploration program over the region. In a first phase, the Company intends to prospect and map at 1 to 25,000 scale all of the staked areas. This first phase was completed in January 2003, and resulted in outlining three primary targets and six prospective areas for further work.

The second phase, started in Q2’03, includes large scale geological mapping (1/5000), ground geophysical surveys and diamond drilling. In Q3’03, induced polarization (“IP”) and limited transient electromagnetic (TEM) ground geophysical surveys were completed on two of the three primary targets and a 1600 m follow-up drilling program is underway.

As of September 30, 2003, the Company has made contributions and incurred exploration expenditures of $615,038 to YXCM, $614,751 to YXM and $115,687 to the joint venture company to be established for the Guizhou Project. 50% of each of the amounts paid are recoverable from Ivanhoe.

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Results of Operations

The income statements for the three months ended March 31, 2003, three months ended June 30, 2003, three months and nine months ended September 30, 2003 are shown in the following table for ease of reference:

(expressed in United States dollars)	Three months ended March 31, 2003	Three months ended June 30, 2003	Three months ended Sept 30, 2003	Nine months ended Sept 30, 2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Expenses				
Administration and office	$ 25,309	$ 77,886	$ 96,915	$ 200,110
Amortization	7,737	12,780	9,384	29,901
Business development	63,578	105,764	115,070	284,412
Consulting fees	103,377	36,395	5,682	145,454
Exploration expenses	71,639	641,385	1,811,692	2,524,715
Professional fees	37,662	151,467	49,496	238,625
Rent	13,933	5,756	26,510	46,199
Salaries and benefits	20,837	72,060	79,607	172,504
Shareholder information, transfer agent and filing fees	14,390	17,078	7,735	39,204
	358,462	1,120,571	2,202,091	3,681,124
Operating Loss	(358,462)	(1,120,571)	(2,202,091)	(3,681,124)
Other Income and Expenses				
Bank interest income	18,159	18,057	11,611	47,827
Foreign exchange loss	(37,876)	(26,441)	3,659	(60,658)
Other income	2,180	2,095	0	4,275
	(17,537)	(6,289)	15,270	(8,556)
Net loss for the period	$ (375,999)	$ (1,126,860)	$ (2,186,821)	$ (3,689,680)
Basic and fully diluted loss per share	$ (0.01)	$ (0.03)	$ (0.06)	$ (0.10)
Weighted average number of outstanding shares	36,582,698	37,563,788	37,800,805	37,346,897

Three months ended September 30, 2003

The Company incurred a net loss of $2,186,821 for the three month period ended September 30, 2003 as compared to losses of $375,999 and $1,126,860 for the three month periods ended March 31, 2003 and June 30, 2003, respectively. This general escalation of losses is reflective of the increase of exploration and administrative activity in the Company resulting from the commencement of active exploration programs during the 2nd and 3rd quarters and the accounting changes for mineral properties described in the overview on page 3.

Exploration expenditures totaled $1,811,692 for the three months ended September 30, 2003 ($2,524,715 for the nine months ended the same date) as compared to $71,639 and $641,385 for the 1st and 2nd quarters, respectively. The 2nd and 3rd quarter net losses include $752,180 and $1,112,545, respectively, attributable to the changes in the method of accounting for exploration expenditure. The balance of the increase in the 3rd quarter loss is due to increased exploration expenditure reflective of the general ramping-up of exploration activity during the summer of 2003.

The Company incurred $115,070 on business development in the period, of which $109,046 was paid for traveling to and from projects by employees and consultants.

Certain of the consulting fees and their associated stock compensation benefit amounts have been reclassified to exploration expenses for 3rd quarter presentation purposes. This reclassification has been applied retroactively to the beginning of the 2003 year.

The Company incurred $49,496 on professional fees, of which $45,056 was for legal fees in respect of various statutory filings and the preparation of documents and agreements for the joint ventures. Due to protracted negotiations and review of the formation of the legal entities in China in support of the joint venture agreements, legal costs incurred in the second quarter 2003 were significantly higher than those incurred in the three months ended September 30, 2003. Professional fees also include $4,400 accrued for audit fees during the period.

Administration and office costs were $96,915 for the three months ended September 30, 2003 as compared to $77,886 in to the June quarter and $25,309 in the March quarter. This change is reflective of an increase in corporate activity and resultant increase in accounting, corporate and investor relations staff associated with maintaining administrative activities and supporting the four new and two existing joint venture initiatives. Rent expenses increased in the current quarter as the annual rental payment of $16,000 was paid for the Company's office in Kunming, China.

Cash resources and Liquidity

The balance sheets as at March 31, 2003, June 30, 2003 and September 30, 2003 are shown in the following table for ease of reference:

(expressed in United States dollars)	March 30, 2003 (Unaudited)	June 30, 2003 (Unaudited)	September 31, 2003 (Unaudited)
ASSETS			
Current			
Cash and cash equivalents	$ 626,407	$ 362,618	$ 277,079
Short-term investments	2,722,385	2,951,376	1,479,181
Interest receivable	39,226	60,898	33,889
Sundry receivables	79,663	158,997	89,102
Receivable from a related party	341,251	120,813	-
Prepaid expenses	44,073	31,158	44,451
	3,853,005	3,685,860	1,923,702
Deferred compensation expenses	54,376	189,216	256,407
Capital assets	119,038	126,275	124,655
	4,026,419	4,001,351	2,304,764
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	119,501	364,067	473,082
Payable to a related party	-	-	113,672
	119,501	364,067	586,754
SHAREHOLDERS' EQUITY			
Capital stock			
Authorized			
100,000,000 preferred shares without par value			
100,000,000 common shares without par value			
Issued			
38,022,707 (June 30, 2003: 37,760,207, Mar 31, 2003: 36,928,207) common shares	7,535,027	7,749,137	7,931,647
Stock options	235,164	471,325	556,362
Contributed surplus	250,302	250,302	250,302
Cumulative translation adjustments	290,052	697,007	697,007
Deficit	(4,403,627)	(5,530,487)	(7,717,308)
	3,906,918	3,637,284	1,718,010
	$ 4,026,419	$ 4,001,351	$ 2,304,764

Working capital decreased in the 3rd quarter by $1,984,845 to $1,336,948, primarily as a result of the exploration payments of $1,266,639 made to the joint venture companies and a net loss incurred of $1,074,276 (excluding non-cash accounting adjustments of $1,112,545). Cash inflows were received from Ivanhoe as part of their joint venture obligations in the net amount of $388,578 and from the exercise of warrants in the amount of $11,381 and stock options of $66,640. As at September 30, 2003, the Company has cash and short term liquid investments of $1,756,260.

The Company's obligations under various joint venture projects currently exceed the working capital available on hand. The Company expects to spend approximately $5.0 million between September 30, 2003 and June 30, 2004 on its joint venture projects, inclusive of capital contributions, exploration and general and administrative costs.

In addition to the announced equity financings previously discussed, capital may also be available to the Company through the exercise of options and warrants subject to market conditions and the Company's share price. However, the Company will need additional financing to meet its ongoing commitments and obligations. The Company plans to seek additional equity financing in future months to meet these commitments and obligations. There can be no assurance that such financing will be available when required or at terms that are favorable to the Company.

Outlook

The Company will concentrate its efforts on drilling and regional exploration work planned for its existing projects in year 2003 and will consider additional projects if and when opportunities arise. The Company is well positioned to conduct its activities and capitalize on opportunities in China. Market conditions have improved substantially with copper and spot gold prices increasing to multi-year highs and significant attention has been drawn to exploration companies in China due to the country's record growth rates and strong demand for basic raw materials and precious metals.

Risks factors

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, none of the Company's properties has a known body of commercial ore. Other risks facing the Company include competition, reliance on third parties and joint venture partners, environmental and insurance risks, political and environmental instability, statutory and regulatory requirements, fluctuations in mineral prices and foreign currency, share price volatility, title risks, and uncertainty of additional financing.