

**Resource Finance &
Investment Ltd.**
(A Development Stage Company)
**Consolidated
Financial Statements**
(Expressed in Canadian Dollars)
December 31, 2002

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Auditors' Report

To the Shareholders of
Resource Finance & Investment Ltd.
(A Development Stage Company)

We have audited the consolidated balance sheets of Resource Finance & Investment Ltd. (a Development Stage Company) as at December 31, 2002 and 2001 and the consolidated statements of operations, deficit and cash flows for the years ended December 31, 2002, 2001 and 2000 and for the period October 16, 1978 (inception) through December 31, 2002. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements as of December 31, 1999 and for the period from October 16, 1978 (inception) to December 31, 1999, were audited by other auditors who expressed an unqualified opinion in their report pertaining to such periods. Our opinion on the consolidated statements of loss and deficit and cash flows for the period from October 16, 1978 (inception) to December 31, 2002, insofar as it relates to amounts for prior periods through December 31, 1999, is based solely on the report of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, these consolidated financial statements present fairly, in all material respects, the financial position of Resource Finance & Investment Ltd. (a Development Stage Company), as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years ended December 31, 2002, 2001 and 2000 and for the period from October 16, 1978 (inception) through December 31, 2002 in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 1999 and for the year ended December 31, 1999 and for the period from October 16, 1978 (inception) to December 31, 1999 were audited by other auditors who expressed an opinion on those statements in their report dated June 30, 2000 which included an emphasis paragraph with respect to issues raising substantial doubt about the company's ability to continue as a going concern.

Vancouver, Canada
March 26, 2003

Chartered Accountants

Comments by Auditors for United States of America Readers on Canada-United States Reporting Conflict

In the United States of America, reporting standards for auditors require the addition of an explanatory paragraph when the consolidated financial statements are affected by conditions and events that cast doubt on the company's ability to continue as a going concern, such as those described in Note 1 ("Operations and Going Concern") to the consolidated financial statements. Our report to the shareholders dated March 26, 2003 is expressed in accordance with Canadian reporting standards, which do not permit references to such events and conditions in the auditors' report when the uncertainties are adequately disclosed in the financial statements.

Vancouver, Canada
March 26, 2003

Chartered Accountants

Resource Finance & Investment Ltd.

(A Development Stage Company)

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

December 31

2002

2001

Assets

Current

Cash and equivalents	\$	2,940	\$	9,381
Prepaid expenses		-		437
	\$	<u>2,940</u>	\$	<u>9,818</u>

Liabilities

Current

Bank loan (Note 5)	\$	296,185	\$	111,116
Accounts payable		142,583		89,152
Accrued liabilities		<u>10,000</u>		<u>26,157</u>
		<u>448,768</u>		<u>226,425</u>

Shareholders' Deficiency

Capital stock (Note 6)		24,463		24,463
Contributed surplus		9,751,410		9,751,410
Deficit accumulated during the development stage		<u>(10,221,701)</u>		<u>(9,992,480)</u>
		<u>(445,828)</u>		<u>(216,607)</u>
	\$	<u>2,940</u>	\$	<u>9,818</u>

See accompanying notes to the consolidated financial statements.

Resource Finance & Investment Ltd.

(A Development Stage Company)

Consolidated Statements of Operations

(Expressed in Canadian Dollars)

	For the Year Ended December 31 2002	For the Year Ended December 31 2001	For the Year Ended December 31 2000	For the Period from October 16 1978 (Inception) to December 31 2002
Expenses				
Consulting services (Note 9)	\$ 30,451	\$ 113,087	\$ 47,803	\$ 1,046,260
Depreciation and amortization	-	-	-	61,274
Exploration	-	-	-	117,390
Interest	20,034	12,877	30,622	165,857
Professional fees	13,430	11,742	17,178	600,489
Licenses, dues and taxes	37,504	23,604	26,427	115,561
Management services (Note 9)	12,000	12,000	12,000	494,644
Office, stationery and sundry	1,374	11,697	5,069	385,464
Rent	13,924	25,598	17,636	153,495
Salaries and benefits	68,973	46,462	25,521	207,913
Shareholder, listing and public relations	25,292	20,918	21,976	359,172
Travel	2,705	1,836	282	317,722
Operating loss	225,689	279,821	204,514	4,025,241
Other expense (income)				
Interest and other	(3,532)	16,139	19,460	(166,477)
Gain on sale of marketable securities	-	-	-	(18,662)
Write-down of resource properties and deferred exploration expenses	-	-	-	6,499,084
Write-down of payables and accruals (Note 4)	-	-	(127,485)	(127,485)
Loss before income taxes	229,221	295,960	96,489	10,211,701
Current income taxes	-	-	-	10,000
Net loss	\$ 229,221	\$ 295,960	\$ 96,489	\$ 10,221,701
Weighted average number of common shares outstanding	24,462,765	20,724,409	9,962,765	
Loss per common share	\$ 0.01	\$ 0.01	\$ 0.01	

See accompanying notes to the consolidated financial statements.

Resource Finance & Investment Ltd.

(A Development Stage Company)

Consolidated Statements of Deficit

(Expressed in Canadian Dollars)

	For the Year Ended December 31 2002	For the Year Ended December 31 2001	For the Year Ended December 31 2000	For the Period from October 16 1978 (Inception) to December 31 2002
Deficit accumulated during the development stage, beginning of period	\$ 9,992,480	\$ 9,696,520	\$ 9,600,031	\$ -
Net loss for the period	<u>229,221</u>	<u>295,960</u>	<u>96,489</u>	<u>10,221,701</u>
Deficit accumulated during the development stage, end of period	<u>\$ 10,221,701</u>	<u>\$ 9,992,480</u>	<u>\$ 9,696,520</u>	<u>\$ 10,221,701</u>

See accompanying notes to the consolidated financial statements.

Resource Finance & Investment Ltd.

(A Development Stage Company)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the Year Ended December 31 2002	For the Year Ended December 31 2001	For the Year Ended December 31 2000	For the Period from October 16 1978 (Inception) to December 31 2002
Cash derived from (applied to)				
Operating				
Net loss	\$ (229,221)	\$ (295,960)	\$ (96,489)	\$ (10,221,701)
Depreciation and amortization	-	-	-	61,274
Gain on sale of marketable securities	-	-	-	(18,662)
Write-down of resource properties and deferred exploration expenses	-	-	-	6,499,084
Change in non-cash operating working capital (Note 7)	37,711	37,362	(111,750)	152,583
	<u>(191,510)</u>	<u>(258,598)</u>	<u>(208,239)</u>	<u>(3,527,422)</u>
Investing				
Proceeds on sale of interests in resource properties	-	-	-	797,802
Proceeds on sale of marketable securities	-	-	-	98,662
Exploration expenses	-	-	-	(5,412,017)
Acquisition of resource properties	-	-	-	(1,703,857)
Acquisition of capital assets	-	-	-	(136,372)
Proceeds on sale of capital assets	-	-	-	75,098
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,280,684)</u>
Financing				
Issue of common shares for cash, net of issue costs	-	658,569	-	9,514,861
Bank indebtedness	185,069	(406,901)	202,525	296,185
	<u>185,069</u>	<u>251,668</u>	<u>202,525</u>	<u>9,811,046</u>
(Decrease) increase in cash	(6,441)	(6,930)	(5,714)	2,940
Cash and equivalents, beginning of period	9,381	16,311	22,025	-
Cash and equivalents, end of period	<u>\$ 2,940</u>	<u>\$ 9,381</u>	<u>\$ 16,311</u>	<u>\$ 2,940</u>

See accompanying notes to the consolidated financial statements.

Resource Finance & Investment Ltd.

(A Development Stage Company)

Consolidated Statements of Cash Flows (Continued)

(Expressed in Canadian Dollars)

	For the Year Ended December 31 2002	For the Year Ended December 31 2001	For the Year Ended December 31 2000	For the Period from October 16 1978 (Inception) to December 31 2002
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Non-cash investing and financing transactions

Common Shares issued for subscriptions received in 1998	\$ -	\$ -	\$ 500,000	\$ -
Marketable securities received on the sale of interest in resource property	\$ -	\$ -	\$ -	\$ 80,000
Common shares issued in exchange for resource properties	\$ -	\$ -	\$ -	\$ 200,000
Common shares issued in payment of agents' fees	\$ -	\$ -	\$ -	\$ 71,500
Common shares issued on settlement of debt	\$ -	\$ -	\$ -	\$ 61,012

See accompanying notes to the consolidated financial statements.

Resource Finance & Investment Ltd.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2002

1. Operations and going concern

Until fiscal 1999, the company was a junior resource company engaged in the business of acquiring, exploring and developing mineral resource properties in the United States and Venezuela. During 2000, management determined that the company would no longer pursue its resource business and instead switched the company's focus to that of the maintenance of existing leases (note 3) and identification of business opportunities of a more general nature.

An extraordinary general meeting of shareholders was held on September 9, 1994, at which time shareholders of the company approved by special resolution the continuance of the company from British Columbia to Bermuda in accordance with provisions of Part XA of the Companies Act, 1981 (Bermuda), as amended and the British Columbia Company Act. On April 4, 1997 the company changed its name to Resource Finance & Investment Ltd.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

The company has incurred significant losses and negative cash flow from operations since inception. The company's ability to continue as a going concern is uncertain and is dependent upon obtaining additional financing and achieving a profitable level of operations. Management obtained additional financing during 2001, but will require additional funding to continue in its efforts to identify a business opportunity. Management intends to raise further financing in future by private share placements and by utilising the US\$ 300,000 line of credit currently available. There can be no assurance that future private share placements can be successfully concluded.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

2. Summary of significant accounting policies

The consolidated financial statements of the company have been prepared by management in accordance with Canadian generally accepted accounting principles, which as applied in these consolidated financial statements, conform in all material respects with accounting principles generally accepted in the United States except as disclosed in Note 10. The consolidated financial statements are presented in Canadian dollars.

Basis of consolidation

The consolidated financial statements include the accounts of Resource Finance & Investment Ltd. and its subsidiaries:

- ?? Oregon Resources Corporation (ORC), a wholly-owned subsidiary;
- ?? Cranberry Corporation of Oregon (CCO), a wholly-owned subsidiary of ORC (inactive).

Resource Finance & Investment Ltd.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2002

2. Summary of significant accounting policies (Continued)

Use of estimates

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

Resource Properties

The company expenses all costs incidental to the acquisition and development of mineral properties as incurred. Mineral exploration costs are also expensed as incurred.

Cash and equivalents

Cash and equivalents consists of cash on hand and balances with banks and highly liquid temporary money market instruments with original maturities of three months or less.

Income taxes

The company follows the liability method of accounting for income taxes based on the accounting recommendations issued by the Canadian Institute of Chartered Accountants. Under the liability method, future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted income tax rates at each balance sheet date. Future income tax assets can also result from unused loss carry-forwards and other deductions. The valuation of any future income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the uncertainty that the assets will be realized.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates.

The monetary assets and liabilities of ORC and CCO, integrated foreign subsidiaries financially dependent on the parent company, are translated at the rates of exchange on the balance sheet date. Other consolidated balance sheet items and revenues and expenses are translated at the rates prevailing on the respective transaction dates.

Gains and losses on foreign exchange are included in the results of operations.

Financial instruments

The company has various financial instruments including cash, payables and accruals, and bank loan payable. The carrying value of these financial instruments approximates their fair value.

Resource Finance & Investment Ltd.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2002

2. Summary of significant accounting policies (Continued)

Stock option plan

The company follows the recommendations of CICA Handbook section 3870 "Stock-based Compensation and Other Stock-based Payments" which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. These recommendations require that compensation for all awards made to non-employees and certain awards made to employees, including stock appreciation rights, direct awards of stock and awards that call for settlement in cash or other assets, be measured and recorded in the financial statements at fair value. For the purpose of this section, employees include directors who receive stock compensation for services provided as a director since all directors are elected by the company's shareholders. This section also sets out a fair value based method of accounting for stock options issued to employees and applies to awards granted on or after January 1, 2002.

Earnings per common share

Basic loss per share amounts have been computed based on the weighted average number of common shares outstanding. Diluted loss per share reflects the increase in average common shares outstanding that would result from the assumed exercise of outstanding options, calculated using the treasury stock method, unless they are anti-dilutive. Diluted loss per share is not disclosed as they are anti-dilutive.

3. Mineral Lease Commitments

The company has mineral leases in Oregon, Illinois and Kentucky. The company's Oregon and Illinois leases are not currently in good standing. The company is current on some of its lease obligations with regard to its Kentucky leases. As at December 31, 2002, the company has required annual lease payments of approximately \$35,100 (2001: \$22,176) should the current leases be maintained.

The company does not have a legal obligation to make lease payments and the effect of non-payment is cancellation of a resource property lease. Following a review in 2001 of both projects, the company decided to bring those leases currently in arrears into good standing and attempt to renegotiate certain of the leases that have lapsed.

4. Write-down of payables and accruals

During 2000, the company determined that payables and accruals should be reduced by \$127,485 related to prior years accrued expenses that are no longer payable. The gain on the elimination of these payables has been recorded in the results of operations for the year ended December 31, 2000.

5. Bank loan

As at December 31, 2002, borrowings on this US\$ 300,000 line of credit were CDN\$ 296,185 (2001:CDN\$ 111,116). The facility bears interest at 8%, is secured by the company's shares in subsidiaries. The loan is repayable on December 31, 2003.

Resource Finance & Investment Ltd.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2002

6. Capital stock

Authorized:

The authorized capital of the company consists of 120,000,000 common shares with a par value of US\$ 0.001.

Issued:

	Common Shares		Contributed Surplus	Total
	Number	Amount		
Shares issued for cash	11,100,976	\$ 11,100	\$ 7,952,459	\$ 7,963,559
Shares issued to acquire mining claims, leases or concessions	300,000	300	199,700	200,000
Shares issued on the exercise of options	283,550	284	123,252	123,536
Shares issued on the exercise of warrants	1,250,000	1,250	1,000,750	1,002,000
Shares issued in settlement of debt	64,600	65	60,947	61,012
	<u>12,999,126</u>	<u>12,999</u>	<u>9,337,108</u>	<u>9,350,107</u>
Share issue costs	-	-	(732,803)	(732,803)
Consolidation of share capital on a 1 for 2½ basis on November 24, 1989	<u>(3,036,361)</u>	<u>(3,036)</u>	<u>3,036</u>	<u>-</u>
Balance December 31, 1998, 1999 and 2000	9,962,765	9,963	8,607,341	8,617,304
Shares issued in 2001 for cash, net of issue costs of \$34,881.	12,000,000	12,000	646,569	658,569
Share issued in 2001 for subscriptions received in 1998	2,500,000	2,500	497,500	500,000
Balance December 31, 2001 and 2002	<u>24,462,765</u>	<u>\$ 24,463</u>	<u>\$ 9,751,410</u>	<u>\$ 9,775,873</u>

Stock options

The company has granted stock options to directors, officers and employees as follows:

	2002	2001	2000
Balance, beginning of year	-	123,000	123,000
Granted	-	-	-
Exercised	-	-	-
Expired	-	(123,000)	-
	<u>-</u>	<u>-</u>	<u>123,000</u>
Balance, end of year	-	-	123,000

Resource Finance & Investment Ltd.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2002

7. Change in non-cash operating working capital

	For the Year Ended December 31 <u>2002</u>	For the Year Ended December 31 <u>2001</u>	For the Year Ended December 31 <u>2000</u>	For the Period from October 16 1978 (Inception) to December 31 <u>2002</u>
Prepaid expenses	\$ 437	\$ 5,087	\$ (14)	\$.
Payables and accruals	<u>37,274</u>	<u>32,275</u>	<u>(111,736)</u>	<u>152,583</u>
	<u>\$ 37,711</u>	<u>\$ 37,362</u>	<u>\$ (111,750)</u>	<u>\$ 152,583</u>

8. Income taxes

At December 31, 2002, the company has operating losses and other undeducted amounts for tax purposes that may be offset against future taxable income. The future income tax asset arising from these items has been reduced to \$Nil by a valuation allowance due to uncertainties regarding the utilization of the future income tax assets. The recording of this valuation allowance results in a \$Nil tax provision in all periods presented.

9. Related party transactions

Management fees related to the management and administration of the company were paid or accrued to a director as follows:

Year ended December 31, 2002	\$ 12,000
Year ended December 31, 2001	12,000
Year ended December 31, 2000	12,000

Included in accounts payable is \$24,000 (2001 - \$12,000) relating to these management fees.

Resource Finance & Investment Ltd.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2002

10. Reconciliation of generally accepted accounting principles

The company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada ("Canadian basis"), which parallel accounting principles generally accepted in the United States ("U.S. basis") in all material areas.

If the company had followed the U.S. basis, there would be no effect on consolidated net loss or on net loss (basic or diluted) per common share.

Recent Accounting Pronouncements:

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations". This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force Issue No. 94-3. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. Accordingly, SFAS No. 146 may affect the timing of recognizing future restructuring costs as well as the amount recognized. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123" (FAS 148). The statement amends SFAS 123, "Accounting for Stock-Based Compensation" (FAS 123) to provide alternative methods of voluntary transition to the fair value based method of accounting for stock-based employee compensation. FAS 148 also amends the disclosure requirement of FAS 123 to require disclosure of the method used to account for stock-based employee compensation and the effect of the method on reported results in both annual and interim financial statements. The disclosure provisions will be effective for the company beginning with the company's quarter ended March 31, 2003. The company has no current intention to change its policy of accounting for stock-based compensation.

In November 2002, the FASB issued FASB interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.* FIN 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of certain guarantees. FIN 45 also requires disclosure about certain guarantees that an entity has issued. The disclosure requirements of FIN 45 were effective for fiscal years ending after December 15, 2002.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51.* FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to

Resource Finance & Investment Ltd.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2002

10. Reconciliation of generally accepted accounting principles (Continued)

February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003.

Management's preliminary assessment of these recent pronouncements is that they will not have a material impact on the company's financial position or results operation.
