

<b>BCSC</b> British Columbia Securities Commission		QUARTERLY AND YEAR END REPORT BC FORM 51-901F	
Name Of Issuer		For Quarter Ended	Date Of Report
PACIFIC COMOX RESOURCES LTD		January 31, 2003	2003/03/31
Issuer Address			
ONE DUNDAS STREET WEST, SUITE 2300, TORONTO ON M5G 1Z3			
Contact Person		Telephone	Fax
DONALD EMPEY, Director & CFO		416 977 4653	416 977 8335
Contact Email Address		Company Website Address	
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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		Full Name	Date Signed
"Donald Empey"		Donald Empey	2003/03/28
Director's Signature		Full Name	Date Signed
"Marvin Wolff"		Marvin Wolff	2003/03/28

# PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

(prepared by management from the records of the Company)

Consolidated Unaudited Balance Sheets

As at October 31, 2002 and January 31, 2003

	January 31	October 31
	2003	2002
<b>Assets</b>		
Current assets:		
Cash	\$ 302,926	\$ 90,136
Accounts receivable	1,550	565
Advances and prepaid expenses	796	4,400
	<u>305,272</u>	<u>95,101</u>
Funds held in escrow (note 9)	20,000	20,000
Due from related party (note 4)	11,748	2,412
Deferred exploration expenditures (note 3)	214,752	75,434
	<u>\$ 551,772</u>	<u>\$ 192,947</u>

## Liabilities and Shareholders' Deficiency

Current liabilities:		
Accounts payable and accrued liabilities	\$ 73,442	\$ 53,620
Due to a shareholder and officer (note 4)	3,979	12,554
	<u>77,421</u>	<u>66,174</u>
Shares to be issued (note 9)	159,000	159,000
Shareholders' deficiency:		
Share capital (note 8)	11,853,550	11,853,550
Deficit	(11,538,199)	(11,885,777)
	<u>315,351</u>	<u>(32,227)</u>
Going concern basis (note 1)		
Commitments (note 3)		
Subsequent events (notes 5 and 9)		
	<u>\$ 551,772</u>	<u>\$ 192,947</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Marvin Wolff" \_\_\_\_\_ Director

"Donald Empey" \_\_\_\_\_ Director

# PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Consolidated Unaudited Statements of Operations and Deficit

For three months ended January 31, 2003 and 2002

	January	January
	2003	2002
Revenue		
Investment income	\$ -	\$ 2,438
Expenses:		
Administrative and operational	\$ 32,422	\$ 13,157
	32,422	10,719
Loss for the period from operations	(32,422)	(10,719)
Gain on recovery of bad debt	<u>380,000</u>	<u>-</u>
Net income (loss)	347,578	(10,719)
Deficit, beginning of period	(11,885,777)	(11,827,937)
Deficit, end of period	<u>\$ (11,538,199)</u>	<u>\$ (11,838,656)</u>
Earnings (Loss) per share (note 2(f))	\$ 0.007	\$ (0.0002)

See accompanying notes to consolidated financial statements.

# PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

## Consolidated Unaudited Statements of Cash Flows

For the three months ending January 31, 2003 and 2002

	January	January
	2003	2002
Cash provided by (used in):		
Operating activities:		
Income (Loss) for the year	\$ 347,578	\$ (10,719)
	347,578	(10,719)
Change in non-cash operating working capital	22,441	(1,568)
	370,019	(12,287)
Financing activities:		
Due to a shareholder and officer	(8,575)	-
Issuance of share capital	-	-
Shares to be issued (net of cash in escrow)	-	-
	(8,575)	-
Investing activities:		
Deferred exploration expenditures (note 3)	(139,318)	-
Due from related party	(9,336)	-
	(148,654)	-
Increase (decrease) in cash	212,790	(12,287)
Cash, beginning of period	90,136	63,597
Cash, end of period	\$ 302,926	\$ 51,310

See accompanying notes to consolidated financial statements.

# PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Notes to Consolidated Financial Statements

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Pacific Comox Resources Ltd. (the "Company") was incorporated to seek exploration and development opportunities in Canada and elsewhere. During 2001, the Company abandoned its mining interests in Africa and was seeking non-mining ventures (note 5). During the current year, the Company has again begun to seek mineral exploration opportunities (note 3). To date, the Company has not earned significant revenue from any of its activities and is considered to be in the development stage.

## 1. **Going concern basis:**

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has no source of operating cash flow and its ability to continue as a going concern is dependent on the continuing financial support of its shareholders and other related parties. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

## 2. **Significant accounting policies:**

### (a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company's wholly owned subsidiary in Mexico, Pacific Comox S.A. de C.V. and 94%-owned subsidiary, African Star Resources Ltd..

### (b) Cash and cash equivalents:

Cash and cash equivalents consists of cash at bank and investments with remaining maturities of less than three months on date of purchase.

### (c) Deferred exploration expenditures:

Deferred exploration expenditures are capitalized on an area-of-interest basis and include direct costs of obtaining, maintaining and exploring properties, the costs of structures and equipment which are employed directly in the exploration process and other direct costs related to specific properties. All other costs, including administrative overhead, are expensed as incurred.

# PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Notes to Consolidated Financial Statements (continued)

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## 2. Significant accounting policies (continued):

Management periodically reviews the carrying value of its investments in mineral leases and properties with internal and external mining professionals. A decision to abandon, reduce or expand a specific project is based upon many factors, including general and specific assessments of mineral reserves, anticipated future mineral prices, the anticipated future costs of exploring, developing and operating a producing mine, the expiration term and ongoing expense of maintaining leased mineral properties and the general likelihood that the Company will continue exploration.

The Company does not set a predetermined holding period for properties with unproven reserves; however, properties which have not demonstrated suitable mineral values at the conclusion of each phase of an exploration program are reevaluated to determine if future exploration is warranted and their carrying values are appropriate. No significant proven reserves have been found to date.

If an area of interest is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or decline in value.

### (d) Income taxes:

The Company uses the asset and liability method in accounting for income taxes. Under this method of tax allocation, future income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the year in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

### (e) Measurement uncertainty:

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 years. Actual results could differ from those estimates.

# PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Notes to Consolidated Financial Statements (continued)

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## 2. Significant accounting policies (continued):

(f) Loss per share:

Loss per share has been calculated based on the weighted average number of shares outstanding during the year. The exercise of incentive stock options referred to in note 8 is anti-dilutive and, consequently, loss per share on a diluted shares basis has not been presented.

(g) Stock-based compensation plans:

The Company provides compensation to certain employees, officers and directors in the form of stock options. The Company has adopted the settlement method of accounting for stock options. No compensation expense is recognized for these plans when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

## 3. Deferred exploration expenditures:

On July 1, 2002, the Company entered into an agreement with respect of certain exploration properties in Mexico, whereby the Company will acquire a 100% interest in the properties over a five-year period, for an aggregate purchase price payable as follows:

(a) A total cash payment of U.S. \$386,000 payable:

- (i) Year one - two payments of U.S. \$10,000 each, the first payment due upon closing of the agreement and the second payment due six months after the closing date which has been made;
- (ii) Year two - U.S. \$60,000, payable either in monthly payments of U.S. \$5,000 or quarterly payments of U.S. \$15,000; and
- (iii) Years three, four and five - U.S. \$102,000 per year, payable either in monthly payments of U.S. \$8,500 or quarterly payments of U.S. \$25,000.

# PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Notes to Consolidated Financial Statements (continued)

### 3. Deferred exploration expenditures (continued):

(b) Subject to regulatory approval and conditions, issue a total of 3,500,000 shares of the Company to the vendors, in a five-year period; respectively, 250,000 shares in each of years one and two, 500,000 shares in year three, 1,000,000 shares in year four and 1,500,000 shares in year five; and

(c) A total work commitment of U.S. \$2,300,000, to be spent on the properties in the five-year period; respectively, U.S. \$75,000 in year one, U.S. \$200,000 in year two, U.S. \$500,000 in each of the years three and four and U.S. \$1,000,000 in year five.

Failure to comply with the above conditions may cause the Company to lose all the rights under the agreement (subject to a six-month default notice by the vendors).

The properties are also subject to a net smelter royalty of 3% rising to 3.5% for periods in which the gold price exceeds U.S. \$350 per ounce and to 4.0% for periods in which the gold price exceeds U.S. \$400 per ounce. The Company has the right to purchase (during the term of the agreement and for two years after the commencement of the commercial production) 50% of the net smelter royalty for U.S. \$4,500,000.

Expenditures relating to the properties are as follows:

Balance, November 1, 2002	\$	75,434
Acquisition costs		-
Deferred exploration costs		139,318
Balance, January 31, 2003	\$	214,752

### 4. Related party transactions:

Amounts due to related parties are as follows:

	January 31, 2003	Oct. 31 2002
Due to a shareholder and officer	\$ 3,979	\$ 12,554
Loan payable to shareholder and officer	-	-
Accrued interest	-	-
Consulting fees	-	-
Due from a corporation under common management	11,748	2,412

# PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Notes to Consolidated Financial Statements (continued)

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#### 4. Related party transactions (continued):

The loan payable was from an officer of the Company, bore interest at 5% and was settled by the issuance by the Company of common shares (note 8(a)). The due from a corporation under common management and due to shareholder and officer represents amounts advanced during the year which are non-interest bearing.

Amounts recorded during the year are as follows:

	January 31, 2003	Oct. 31, 2002
Rent paid to a corporation under common management	\$ -	\$ 6,372
Consulting fees to an officer of the Company	10,000	30,000

Transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### 5. Investment in Papex Inc.:

During 2001, the Company and Papex Inc. ("Papex"), a private Ontario corporation, based in Mississauga, Ontario, completed a definitive agreement whereby the Company was to acquire a 30% equity interest in Papex in exchange for cash payments of \$500,000 and the issuance of 3,004,000 common shares of the Company.

The Company advanced \$400,000 to Papex in the nine months ended July 31, 2001 as provided in the agreement. In December 2001, the Company terminated the agreement with Papex and recorded an allowance against the \$400,000 which, under the terms of the original agreement was converted to a note receivable due December 20, 2002.

During the period, the Company received \$380,000 from Papex and waived the remaining balance of the note receivable.

# PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Notes to Consolidated Financial Statements (continued)

## 6. Income taxes:

The recovery of income taxes varies from the amounts that would be computed by applying the Canadian federal and provincial statutory rates of approximately 38% (2001 - 40%) to income before taxes as follows:

	2002	2001
Expected income tax recovery using statutory income tax rates	\$ 23,000	\$ 222,000
Tax benefit of losses not currently recognized	(23,000)	(222,000)
	\$ -	\$ -

The tax effects of temporary differences that give rise to significant portions of the future tax liabilities at October 31, 2002 and 2001 are as follows:

	2002	2001
Canada:		
Non-capital losses	\$ 570,000	\$ 560,000
Resource pools	1,000,000	1,000,000
Valuation allowance	(1,570,000)	(1,560,000)
	\$ -	\$ -

At October 31, 2002, the Company has non-capital loss carryforwards of approximately \$1,500,000 available to reduce taxable income in future years. These losses expire through 2008. The benefit of these non-capital loss carryforwards has not been recognized in the financial statements.

## 7. Financial instruments:

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and due to a shareholder and officer approximate fair values due to the short-term maturities of these instruments.

# PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Notes to Consolidated Financial Statements (continued)

## 8. Share capital:

- (a) The Company's authorized share capital consists of 200,000,000 common shares without par value. Details of shares issued are as follows:

	Number	Amount
Balance, October 31, 2000	38,467,546	\$ 10,955,823
Issued upon completion of a private placement	7,000,000	700,000
Balance, October 31, 2001	45,467,546	11,655,823
Issued upon completion of debt settlement	2,244,680	224,468
Issue costs	–	(26,741)
<b>Balance, January 31, 2003 and October 31, 2002</b>	<b>47,712,226</b>	<b>\$ 11,853,550</b>

During the year ended October 31, 2001, the Company raised \$700,000 through a number of private placements to fund the cash component of acquiring the interest in Papex and for working capital purposes. The funds were raised by the sale of 7,000,000 units at \$0.10 per unit. Each unit consisted of one share and one share purchase warrant exercisable at \$0.20 per share. No value was ascribed to the warrants which expired unexercised in January 2002.

In September 2002, the Company issued 2,244,680 common shares at a price of \$0.10 per share to settle \$224,468 in outstanding debt, of which \$197,356 was with an officer of the Company (note 4).

- (b) The movements in the Company's stock option plan and those outstanding at January 31, 2003 are summarized below:

	Number	Average exercise price
Options outstanding, October 31, 2000	650,000	\$ 0.33
Expired	(550,000)	0.31
Options outstanding, October 31, 2001 and 2002	100,000	0.48
Expired	(100,000)	0.48
<b>Options outstanding, January 31, 2003 &amp; October 31, 2002</b>	<b>–</b>	<b>–</b>

# PACIFIC COMOX RESOURCES LTD.

(A DEVELOPMENT STAGE ENTERPRISE)

Notes to Consolidated Financial Statements (continued)

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## 9. Subsequent events:

On December 11, 2002, the Company completed, pending the final approval from the TSX Venture Exchange (the "TSX"), private placements raising \$165,000.

- (a) A total of \$100,000 was raised through the issuance of 2,000,000 units priced at \$0.05 consisting of one common share and one-half of a common share purchase warrant exercisable for one year from closing at \$0.10 per share.
- (b) A total of \$65,000 was raised through 650,000 units priced at \$0.10 consisting of a common share and one common share purchase warrant exercisable for one year from closing at \$0.15 per share. An officer of the Company participated for \$50,000.
- (c) As of October 31, 2002, \$159,000 had been raised related to the issuance of common shares, of which \$20,000 is held in escrow at October 31, 2002 and January 31, 2003. A finders' fee of 7% is payable on \$75,000 of the total financing in shares of the Company valued at \$0.10 per share. The shares will be issued after approval of the deal from the TSX which approval was received on February 17, 2003.