

GATEWAY ENTERPRISES LTD.

FINANCIAL STATEMENTS

JUNE 30, 2003

DE VISSER GRAY
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of Gateway Enterprises Ltd.

We have audited the balance sheets of Gateway Enterprises Ltd. as at June 30, 2003 and 2002 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2003 and 2002 and the results of its operations and cash flows for the years then ended. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

"De Visser Gray"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
November 14, 2003

GATEWAY ENTERPRISES LTD.

Balance Sheets
As at June 30, 2003

	2003	2002
	\$	\$
A S S E T S		
Current		
Cash and cash equivalents	164,673	213,566
Accounts receivable	849	572
Prepaid expenses	1,275	1,025
	<u>166,797</u>	<u>215,163</u>

L I A B I L I T I E S

Current		
Accounts payable and accrued liabilities	4,722	3,495
Due to related parties (note 5)	249	1,284
	<u>4,971</u>	<u>4,779</u>

S H A R E H O L D E R S ' E Q U I T Y

Share capital (note 3)	245,748	245,748
Deficit	(83,922)	(35,364)
	<u>161,826</u>	<u>210,384</u>
	<u>166,797</u>	<u>215,163</u>

Continuance of operations (note 1)

Approved by the Board of Directors:

"Ronald Miles"
Ronald F. Miles

"Mark Brown"
Mark T. Brown

GATEWAY ENTERPRISES LTD.
Statements of Operations and Deficit
For the Years Ended June 30,

	2003	2002
	\$	\$
Revenue		
Expenses		
Accounting and audit	3,000	1,000
Bank charges and interest	235	221
Consulting fees	5,500	5,500
Interest	(3,967)	(5,943)
Legal	5,396	-
Office and miscellaneous	2,738	742
Rent	3,600	2,800
Travel	-	1,008
Trust and filing	7,056	6,381
Write-off of non-refundable deposit (note 6)	<u>25,000</u>	<u>-</u>
Net loss for the year	(48,558)	(11,709)
Deficit - beginning of year	<u>(35,364)</u>	<u>(23,655)</u>
Deficit - end of year	<u><u>(83,922)</u></u>	<u><u>(35,364)</u></u>
Loss per share (note 4)	<u><u>\$ (0.02)</u></u>	<u><u>\$ (0.01)</u></u>

See notes to the financial statements

GATEWAY ENTERPRISES LTD.Statements of Cash Flows
For the Years Ended June 30,

	2003	2002
	\$	\$
Cash Provided by (Used for):		
Operating Activities		
Net loss for the year	(48,558)	(11,709)
Net changes in non-cash working capital accounts:		
Accounts receivable	(277)	2,120
Prepaid expenses	(250)	(1,025)
Accounts payable and accrued liabilities	1,227	(8,568)
Due to related parties	<u>(1,035)</u>	<u>784</u>
Net cash used during the year	(48,893)	(18,398)
Cash and cash equivalents - beginning of year	<u>213,566</u>	<u>231,964</u>
Cash and cash equivalents - end of year	<u><u>164,673</u></u>	<u><u>213,566</u></u>

See notes to the financial statements

GATEWAY ENTERPRISES LTD.

Notes to the Financial Statements

June 30, 2003

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on August 14, 2000 under the Company Act of the Province of British Columbia. Since the Company was called for trading on the TSX Venture Exchange (the "Exchange") as in May 2001, its activities have been focused on the identification and completion of a Qualifying Transaction ("QT") as defined under Exchange Listings Policy 2.4. The Company is required to complete a QT within 18 months of its initial listing date; this deadline has passed, but the Company continues to search for a QT. The Company continuing viability depends on the completion of a QT and upon its ability to raise adequate capital to meet the financing requirements associated with such a transaction.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes the Company's ongoing capacity to realize its assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has experienced operating losses and net cash outflows from operations since incorporation.

The Company's capacity to continue as a going concern is dependent on its ability to obtain sufficient funds to acquire a qualifying business or asset portfolio and to successfully commercialize it. The outcome of these matters cannot be predicted at this time. These financial statements do not reflect adjustments to the carrying values of the Company's assets and liabilities which may be required should the Company be unable to continue as a going concern.

Refer to note 6.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the short-term nature of the items.

Cash Equivalents

Cash equivalents consist of highly liquid investments with maturity dates less than one year that are readily convertible into known amounts of cash.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Stock Option Plan

The Company has a discretionary stock option plan for the granting of options to directors, officers, employees and advisors, but no compensation expense in connection with the plan is recognized in the accounts of the Company. Any consideration paid by directors, officers, employees or advisors on the exercise of stock options or purchase of common shares is credited to capital stock.

3. SHARE CAPITAL

Authorized

100,000,000 Common Shares without par value
100,000,000 Preferred Shares issuable in series

Issued

	Number	Price per share	Amount
		\$	\$
Private Placement - escrowed	1,120,000	0.09	100,800
Public Offering	1,200,000	0.18	⁽¹⁾ 144,948
Balance - June 30, 2003 and 2002	2,320,000		245,748

⁽¹⁾ net of share issue costs of \$71,052

Escrowed Shares

The private placement common shares issued have been placed in escrow and their release from escrow is subject to the terms of an agreement between the Company, its stock transfer agent and the beneficial owners of the escrowed shares. These shares are to be released in stages within three years of the Company completing a qualifying transaction.

Refer to note 1.

Stock Options

Directors of the Company have been granted options to purchase 232,000 shares at \$0.18 per share exercisable prior to May 28, 2006.

4. LOSS PER SHARE

Loss per share has been calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is not included as it is anti-dilutive.

5. RELATED PARTY TRANSACTIONS

The Company paid another public company related by certain common directors \$3,600 (2002 - \$2,800) for the rental of office space and as at June 30, 2003 owes this public company an aggregate of \$NIL (2002 - \$1,284).

The Company paid a private company with a director in common with the Company an aggregate of \$1,775 (2002 - \$2,557) for expense reimbursements and administrative expenses and as at June 30, 2003 owes this company \$11 (2002 - \$NIL).

A director of the Company accrued \$238 (2002 - \$NIL) for expense reimbursements and as at June 30, 2003 owes this director \$238 (2002 - \$NIL).

6. PROPOSED QUALIFYING TRANSACTIONS

- On February 27, 2003 the Company announced that its proposed acquisition of Foodterminal.com Ltd., a Canadian private corporation engaged in the business of food distribution and sprout growing operations, would not proceed. The non-refundable deposit of \$25,000 made to Foodterminal.com Ltd. was written down to nil as at December 31, 2002. There are no other obligations of the Company associated with this project.
- Subsequent to June 30, 2003, the Company entered into a Letter Agreement whereby it will acquire all of the outstanding common shares of Portal de Oro (BVI) Ltd. ("Portal"), a private company which owns, through an Argentinean subsidiary, a 100% interest in the Arroyo Verde project, consisting of three exploration-stage mineral concessions totalling 5,378 hectares located in the Patagonia region of Argentina. In consideration, the Company will issue 2,000,000 common shares to the two arms-length shareholders of Portal and will appoint these individuals to its board. The Company also proposes to raise up to \$900,000 by two private placement financings involving the issuance of up to an additional 4,000,000 common shares. The Company has advanced Portal a \$25,000 non-refundable deposit pursuant to the terms of the agreement, which remains subject to regulatory consent and shareholder approval.

GATEWAY ENTERPRISES LTD.

Annual Report

June 30, 2003

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. *Analysis of expense and deferred costs:*

Items over 20% of the total expenditures are broken down further as follows:

Write-off of non-refundable deposit: \$ 25,000

2. *Related party transactions:*

Refer to note 5 in Schedule A.

3. *Summary of securities issued and options granted during the period:*

a) Summary of securities issued during the period:

There were no securities issued during the period.

b) Summary of options granted during the period:

There were no options granted during the period.

4. *Summary of securities as at June 30, 2003:*

a) Authorized share capital: 100,000,000 common shares without par value
100,000,000 preferred shares issuable in series

b) Shares issued and outstanding: 2,320,000 common shares

c) Summary of options, warrants and convertible securities outstanding:

Type of Issue	Number Outstanding	Exercise Price	Expiry Date
		\$	
Directors' and officers' Options	232,000	0.18	May 28, 2006
Agent's options	120,000	0.18	November 28, 2002
	<u>352,000</u>		

GATEWAY ENTERPRISES LTD.

Annual Report

June 30, 2003

SCHEDULE B: SUPPLEMENTARY INFORMATION (Continued)

4. *Summary of securities as at June 30, 2003 (continued):*

d) Number of common shares held in escrow: 1,120,000

Number of common shares subject to pooling: NIL

5. Directors: David N. Hottman
Fontaine Wong
Mark T. Brown
Ron Miles

Officers: Ron Miles - President
Mark T. Brown - Secretary and CFO
David N. Hottman - Chairman

SCHEDULE C: MANAGEMENT DISCUSSION

The Company was incorporated on August 14, 2000 under the Company Act of the Province of British Columbia. Since the Company was called for trading on the TSX Venture Exchange (“the Exchange”) as a “Capital Pool Company” in May 2001, the Company’s activities have revolved around searching for a Qualifying Transaction. As part of the listing requirements, the Company is required to complete a qualifying major transaction within 18 months of its date of listing as defined in the Exchange Listings Policy 2.4. This deadline has passed, but the Company continues to search for a Qualifying Transaction. Continuation of the Company depends on the completion of a Qualifying Transaction and the ability to raise adequate capital to meet the financing requirements of the Qualifying Transaction.

Trading in the shares of the Company was halted on September 23, 2002 pending an announcement that the Company had entered into a letter of intent agreement dated September 18, 2002 with the shareholders of FoodTerminal.com Inc. (“FoodTerminal”), a Canadian private corporation engaged in the business of food distribution and sprout growing operations. This transaction had been expected to constitute the Company’s Qualifying Transaction as defined in the Exchange Listings Policy 2.4.

On February 27, 2003 the Company announced that the acquisition of Foodterminal.com Ltd. would not proceed as previously announced because the Board of the Company felt that there were too many hurdles associated with the transaction and that the shareholders of the Company would be better served by a different project. The Board has commenced looking at new transactions and may pursue some companies that are in the mining or technology industries.

The non-refundable deposit of \$25,000 made to Foodterminal.com Ltd. was written down to nil as at March 31, 2003. There are no other obligations of the Company associated with this project.

On February 21, 2003, the Company’s common shares were suspended from trading.

All expenditures incurred in respect of incorporation and the acquisition of a listing on the Exchange were classified as “organization costs” and offset against share capital. Since inception the Company has issued a total of 2,320,000 common shares for gross proceeds of \$316,800, of which \$71,052 has been used in incorporating and obtaining the public exchange listing, \$70,678 was spent to maintain the Company in good standing, \$25,000 has been advanced and subsequently written-off as a non-refundable deposit as per the terms of a potential Qualifying Transaction, and \$778 has been spent developing the aforementioned intended Qualifying Transaction. Both the non-refundable deposit and the deferred charges were written-off as at March 31, 2003. Interest income of \$12,534 on the cash balance of \$15,023 and short-term investments of \$150,000 has partially offset these operating costs such that the cumulative loss to date is \$83,922. The Company had working capital of \$161,826 at June 30, 2003.

There are no investor relations arrangements at this time.