

Consolidated financial statements of

**BRC DEVELOPMENT
CORPORATION**

December 31, 2003 and 2002

Auditors' Report

To the Shareholders of
BRC Development Corporation

We have audited the consolidated balance sheets of BRC Development Corporation as at December 31, 2003 and 2002 and the consolidated statements of operations and retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“Deloitte & Touche LLP”

Chartered Accountants

Toronto, Ontario
February 21, 2004, except for
Note 11 which is as at March 10, 2004

BRC DEVELOPMENT CORPORATION

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BRC DEVELOPMENT CORPORATION

Consolidated Balance Sheets

December 31, 2003 and 2002

	2003	2002
ASSETS		
CURRENT		
Cash	\$ 77,388	\$ 128,321
Due from related parties (Note 3a)	-	20,000
Prepaid expenses	-	10,000
	77,388	158,321
INVESTMENT AND ADVANCES (Notes 3a and 4)	1,317,959	2,031,259
MINERAL PROPERTIES (Note 5)	464,552	379,326
DEFERRED PRE-OPERATING COSTS (Note 5)	22,481	-
CAPITAL ASSETS (Note 6)	75,041	120,065
	\$ 1,957,421	\$ 2,688,971
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 70,838	\$ 55,899
Due to related parties (Note 3b)	420,438	855,257
	491,276	911,156
COMMITMENTS (Notes 5 and 9)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 7a)	1,250,154	1,158,376
WARRANTS (Note 7a)	17,000	-
CONTRIBUTED SURPLUS (Note 7b)	25,314	-
RETAINED EARNINGS	173,677	619,439
	1,466,145	1,777,815
	\$ 1,957,421	\$ 2,688,971

APPROVED BY THE BOARD

"Arnold Kondrat"

.....
Arnold Kondrat
Director

"Donat Madilo"

.....
Donat Madilo
Director

BRC DEVELOPMENT CORPORATION
Consolidated Statements of Operations and Retained Earnings
Years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
REVENUE		
Interest income	\$ 3	\$ 16
EXPENSES		
Professional fees	64,185	52,328
General and administrative (Note 3b)	131,327	111,477
Consulting fees (Note 3c)	49,313	1,640
Depreciation	45,024	45,024
Management fees (Note 3b)	52,000	27,213
Foreign exchange loss	99,807	-
	<u>441,656</u>	<u>237,682</u>
LOSS BEFORE UNDERNOTED ITEMS	(441,653)	(237,666)
WRITE-OFF OF MINERAL CLAIMS (Note 5)	(4,109)	(39,854)
NET LOSS FOR THE YEAR	(445,762)	(277,520)
RETAINED EARNINGS, BEGINNING OF YEAR	619,439	896,959
RETAINED EARNINGS, END OF YEAR	<u>\$ 173,677</u>	<u>\$ 619,439</u>
BASIC LOSS PER SHARE (Note 7d)		
	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>

BRC DEVELOPMENT CORPORATION

Consolidated Statements of Cash Flows

Years ended December 31, 2003 and 2002

	2003	2002
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net loss for the year	\$ (445,762)	\$ (277,520)
Items not affecting cash		
Stock based compensation	25,314	-
Depreciation	45,024	45,024
Write-off of mineral claims	4,109	39,854
	(371,315)	(192,642)
Changes in non-cash working capital items		
Due from related parties	20,000	112,877
Prepaid expenses	10,000	(4,052)
Accounts payable and accrued liabilities	14,939	8,646
Due to related parties	(434,819)	682,591
	(761,195)	607,420
INVESTING		
Mineral properties	(89,335)	(3,840)
Investment and advances, net	713,300	(782,000)
Deferred pre-operating costs	(22,481)	-
	601,484	(785,840)
FINANCING		
Issuance of common share units	56,778	300,000
Issuance of common shares	52,000	-
	108,778	300,000
(DECREASE) INCREASE IN CASH	(50,933)	121,580
CASH, BEGINNING OF YEAR	128,321	6,741
CASH, END OF YEAR	\$ 77,388	\$ 128,321
SUPPLEMENTARY FINANCIAL INFORMATION		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

BRC DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2003 and 2002

1. CONTINUATION OF THE BUSINESS

BRC Development Corporation (the "Corporation") is incorporated under the laws of the Province of Ontario. The principal business of the Corporation is the acquisition and exploration of mineral properties in Canada. The recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Corporation to obtain financing to complete the development of the properties where necessary and upon future profitable production, or, alternatively, upon the Corporation's ability to recover its spent costs through a disposition of its interests, all of which are uncertain.

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions cast substantial doubt upon the validity of this assumption.

The Corporation has incurred significant net losses over the past three fiscal years (\$445,762 in the current year). The Corporation's continued existence is dependent upon the continued financial support of various related parties.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported net loss and the balance sheet classifications used.

2. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of operations.

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 assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of consolidation

The financial statements represent the consolidated financial statements of BRC Development Corporation, which include its accounts and those of its wholly-owned subsidiary, BRC Congo Development SPRL. All inter-company balances and charges have been eliminated.

BRC DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2003 and 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment

The Corporation holds an investment in Nevada Bobs International Inc. ("NBI"), through its common share holdings. The investment is accounted for under the cost method, as management does not have the ability to exercise significant influence over NBI. This investment will continue to be carried at cost and will be written down only when there has been a loss in value which is other than temporary. As at December 31, 2003 the Corporation held 3.56% (December 31, 2002 - 3.96%) of the issued and outstanding common shares of NBI.

Mineral properties

Costs relating to the acquisition, exploration and development of non-producing resource properties are capitalized until such time as either economically recoverable reserves are established, the properties are sold or abandoned, or the value of the particular property is impaired. The excess of these costs over estimated recoveries is charged to operations. The ultimate recovery of these costs depends on the discovery and development of economic reserves or the sale of the mineral rights. The amounts shown for non-producing resource properties do not necessarily reflect present or future values.

Capital assets

Capital assets of the Corporation consist of leasehold improvements, which are being depreciated over the term of the lease.

Stock options

The Corporation has a stock option plan, which is described in Note 7b. No compensation expense is recognized when stock or stock options are granted to directors, officers or employees under the plan. Consideration paid on the exercise of stock options is credited to share capital.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantially enacted income tax rates for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce future income tax assets to amounts expected to be realized.

Earnings per share

Basic earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average number of shares outstanding during the reporting period. In computing diluted earnings per share, the dilutive effects of outstanding stock options have been determined using the treasury stock method.

BRC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
December 31, 2003 and 2002

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred pre-opening costs

The Corporation defers expenditures incurred during the pre-operating period of a business until such time as the business commences operations.

New accounting pronouncement

The Corporation has examined the scope of the CICA Accounting Guideline AcG-14, Disclosure of Guarantees, that was issued during 2003. As the Corporation does not issue guarantees contemplated by the Guideline, the implementation of this Guideline had no impact on the consolidated financial statements.

3. RELATED PARTY TRANSACTIONS

a) Due from related parties

During the year, the Corporation advanced \$68,700 (2002 - \$782,000) to NBI. This amount, which is included in investment and advances on the consolidated balance sheet, was outstanding at December 31, 2003 and is unsecured, non-interest bearing and repayable upon demand. The amount previously outstanding at December 31, 2002 was repaid in 2003.

In 2002, \$20,000 was due from an individual who is an officer and director of the Corporation. The amount was repaid in 2003.

b) Due to related parties

During the year, the Corporation incurred management fees of \$52,000 (2002 - \$27,213) to individuals who are officers and directors of the Corporation, for services rendered during the year. At December 31, 2003, \$13,818 (2002 - \$25,400) was payable by the Corporation.

During 2003, a company wholly-owned by a director of the Corporation incurred various costs on behalf of the Corporation and two other related companies. The Corporation's share of these costs, included in general and administrative expenses, amounted to \$96,832 (2002 - \$78,974). As at December 31, 2003, \$75,000 (2002 - \$153,606) was owing by the Corporation to this company.

In addition, \$330,972 (2002 - \$676,251) was due to a company with significant holdings in the common shares of the Corporation and to its wholly-owned subsidiary. During 2003, the Corporation had repaid \$676,251 to this company.

All amounts due to related parties are unsecured, non-interest bearing and repayable upon demand.

c) Related party transactions during the year

Consulting fees of \$24,000 (2002 - \$1,640) were paid during the year to an individual who is an officer and director of the Corporation for services during the year. At December 31, 2003, the balance of \$648 (2002 - \$nil) was payable by the Corporation to this individual.

BRC DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2003 and 2002

4. INVESTMENT IN NEVADA BOB'S INTERNATIONAL INC

During 2003, NBI completed a private placement to raise capital, in which the Corporation did not participate. As a result the Corporation's shareholding, as at December 31, 2003, was reduced to 3.56% (2002 - 3.96%) of the issued and outstanding shares of NBI, with a book value of \$1,249,259 (2002 - \$1,249,259) and a market value of \$210,854 (2002 - \$452,771).

5. MINERAL PROPERTIES

During 2002, the Corporation acquired four mining claims, located in Northern Ontario, for total consideration of \$3,840. Also, the Corporation did not renew twenty-three mining claims, allowing them to expire during 2002. The cost of acquisition of these claims, of \$39,854, was written-off. These transactions brought the Corporation's total number of mining claims in Fenton Township, Northern Ontario to ten.

During 2003, the Corporation acquired seven additional mining claims, located in the Kenora/Rainy River district of Ontario, for total consideration of \$6,049. In 2003, the Corporation again did not renew all of its mining claims, allowing a further four claims in Fenton Township to expire during the year. The cost of acquisition of these claims, of \$4,109, was written-off. These transactions brought the Corporation's total number of mining claims in Ontario to thirteen, as at December 31, 2003. The Corporation incurred total exploration expenditures of \$80,408 (2002 - \$Nil) on its thirteen mining claims.

The Corporation must incur the following minimum exploration expenditures in order to maintain its mining claims in good standing:

<u>Due Date</u>	<u>Required Expenditures</u>
April 2004	\$ 25,600
February 2005	\$ 28,800
March 2005	\$ 12,800
November 2005	\$ 12,800

As of March 2004, all expenditure requirements due in 2003 have been met by the Corporation.

In addition to the Ontario properties, the Corporation has begun developing exploration opportunities in the Democratic Republic of the Congo ("DRC"). To facilitate these exploration efforts, the Corporation incorporated in 2003 a local Congolese subsidiary, BRC Congo Development SPRL (the "Subsidiary"). Since inception, the efforts of the Subsidiary have been devoted to obtaining prospecting permits from the Mining Cadastral, the government agency in charge of all mining registrations under the Congolese Mining Code.

The Subsidiary has not yet obtained final approval for any prospecting permits from the Mining Cadastral in the DRC. As such, it is considered to be in the pre-operating stage and all operating costs of the Subsidiary have been deferred until such time as the Subsidiary is able to begin exploration activities in the DRC. The Subsidiary has deferred exploration expenditures of \$22,481.

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Notes to the Consolidated Financial Statements
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6. CAPITAL ASSETS

	2003			2002		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Leasehold improvements	\$ 225,121	\$ 150,080	\$ 75,041	\$ 225,121	\$ 105,056	\$ 120,065

7. CAPITAL STOCK

a) Share capital

	Number of Shares	Amount
Balance, December 31, 2001	6,500,000	\$ 858,376
Shares issued to Banro Corporation	1,500,000	300,000
Balance, December 31, 2002	8,000,000	1,158,376
Shares issued in private placement	425,000	39,778
Exercise of options	260,000	52,000
Balance, December 31, 2003	8,685,000	\$ 1,250,154

The authorized share capital of the Corporation is comprised of an unlimited number of common shares.

On November 29, 2002 the Corporation completed a non-brokered private placement by issuing 1,500,000 common shares to a company with significant holdings in the common shares of the Corporation at \$0.20 each, for total proceeds of \$300,000.

On February 10, 2003, the Corporation completed a non-brokered private placement by issuing 425,000 units of the Corporation ("unit") at a price of \$0.15 per unit, net of issuance costs of \$6,972, for total proceeds of \$56,778. Each unit consists of one common share of the Corporation and one warrant of the Corporation ("warrant"). Each warrant entitles the holder thereof to purchase one common share of the Corporation at a price of \$0.20 until February 10, 2005. The value ascribed to the warrants was \$17,000.

BRC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
December 31, 2003 and 2002

7. CAPITAL STOCK (continued)

b) Stock option plan

The Corporation has an incentive stock option plan under which non-transferable options to purchase common shares of the Corporation may be granted by the Board of Directors to any director, officer or employee of the Corporation or any related party of the Corporation or to any consultant of the Corporation. The stock option plan contains provisions stating that the term of an option may not be longer than five years, the maximum number of common shares that may be issued pursuant to options is 650,000 and the exercise price of an option shall be determined by the Board of Directors, provided however, that the exercise price shall not be less than the greater of (a) \$0.20 per share and (b) the market price, as defined, of the common shares on the date the option is granted.

On January 17, 2003, the Corporation granted options to directors and officers on a total of 310,000 common shares exercisable at \$0.20 per share. The options expire on January 17, 2008. On November 19, 2003, an additional 220,000 stock options were granted to directors, officers and service providers of the Corporation at an exercise price of \$0.50 per share, which expire on November 19, 2008. As at December 31, 2003 270,000 stock options were outstanding. There were no stock options outstanding on December 31, 2002.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2003:

<u>Date of Grant</u>	<u>Number Outstanding at 12/31/02</u>	<u>Options Granted During the Period</u>	<u>Options Exercised</u>	<u>Number Outstanding and Exercisable at 12/31/03</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
01/17/03	-	310,000	260,000	50,000	\$ 0.20	01/17/08
11/19/03	-	220,000	-	220,000	\$ 0.50	11/19/08
		530,000	260,000	270,000		

On the date of grant, the weighted average fair value of 470,000 vested stock options granted to employees, directors and officers was \$95,745. No compensation cost was recognized in the income statement for these stock options. Had the fair value of these options been expensed, the net loss for the period would have been \$541,507 and the basic loss per share would have been \$0.06.

On the date of grant, the weighted average fair value of 60,000 stock options granted to consultants and other service providers was \$25,314. This amount was recognized in the income statement as an expense and was credited accordingly to contributed surplus.

BRC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
December 31, 2003 and 2002

7. CAPITAL STOCK (continued)

b) Stock option plan (continued)

The Black-Scholes option-pricing model was used to estimate values of all stock options granted during the year based on the following weighted average information:

- (i) risk-free interest rate: 2.56%
- (ii) expected volatility: 80.30%
- (iii) expected life: 3.04 years
- (iv) expected dividends: \$Nil

c) Warrants

As at December 31, 2003 the Company had 425,000 warrants outstanding as described in Note 7(a).

d) Loss per share

The loss per share figures for 2003 and 2002 are calculated using the weighted average number of shares outstanding during the respective accounting periods amounting to 8,421,068 and 6,631,507 common shares.

8. INCOME TAXES

The following information summarizes the principal temporary differences and related future tax effect:

	<u>2003</u>	<u>2002</u>
Future tax assets		
Non-capital losses	\$ 426,327	\$ 296,348
Mineral properties	1,525	14,794
Other expenses	15,075	31,894
Capital assets	23,600	10,870
Gross future tax asset	466,527	353,906
Future tax liability relating to investment	(89,729)	(89,729)
Net future tax asset before valuation allowance	376,798	264,177
Valuation allowance	(376,798)	264,177
Net future tax asset	\$ -	\$ -

BRC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
December 31, 2003 and 2002

8. INCOME TAXES (continued)

The Corporation has available non-capital losses of approximately \$1,089,000 that may be carried forward to apply against future Canadian income for tax purposes. If not utilized, these losses will expire as follows:

2005	\$ 850
2006	40,500
2007	184,700
2008	318,300
2009	192,600
2010	351,900
	<u>\$ 1,088,850</u>

The provision for income taxes is at an effective tax rate which differs from the basic corporate tax rate for the following reasons:

	<u>2003</u>	<u>2002</u>
Combined basic Canadian federal and provincial income tax rates	39.12%	40.12%
(Recovery of) provision for income taxes based on above rates	\$ (174,382)	\$ (111,341)
Increase (decrease) resulting from:		
Resource allowance	38,790	19,324
Unrecognized benefit of losses	135,592	92,017
	<u>\$ -</u>	<u>\$ -</u>

9. COMMITMENTS

The Corporation is committed to annual payments under its operating lease as follows:

2004	\$ 36,109
2005	24,073
	<u>\$ 60,182</u>

10. FINANCIAL INSTRUMENTS

The fair value of the Corporation's financial instruments, including cash, accounts payable and amounts due to and from related parties, approximates their carrying value due to the short-term nature of these instruments. The Corporation's investment in NBI is carried at cost, less any losses arising from permanent declines in the value of the investment (Note 4).

The Corporation does not enter into any derivative instrument arrangements for hedging or speculative purposes.

BRC DEVELOPMENT CORPORATION
Notes to the Consolidated Financial Statements
December 31, 2003 and 2002

11. SUBSEQUENT EVENT

On March 10, 2004, as part of a debt settlement agreement, the Corporation issued 244,032 common shares to Banro Corporation ("Banro"), a significant shareholder of the Corporation. In exchange for the common shares, \$329,443 of debt owed by the Corporation to Banro as at December 31, 2003 was settled, pursuant to the debt settlement agreement.