

Auditors' Report and Financial Statements of

PACIFIC GEOINFO CORP.
(formerly G.R. Pacific Resource Corp.)

April 30, 2003 and 2002

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**Deloitte
& Touche**

Auditors' Report

To the Shareholders of
Pacific GeoInfo Corp.
(formerly G.R. Pacific Resource Corp.)

We have audited the balance sheets of Pacific GeoInfo Corp. (formerly G.R. Pacific Resource Corp.) as at April 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 April 30, 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
Vancouver, British Columbia
July 29, 2003

**Deloitte
Touche
Tohmatsu**

PACIFIC GEOINFO CORP.

(formerly G.R. Pacific Resource Corp.)

Balance Sheets

April 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,093,289	\$ 311,586
Accounts receivable	26,249	5,075
Prepaid expenses	1,063	50,700
	<u>1,120,601</u>	<u>367,361</u>
EQUIPMENT (Note 4)	3,028	4,326
	<u>\$ 1,123,629</u>	<u>\$ 371,687</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 27,920	\$ 19,510
Loan payable (Note 5)	72,810	71,925
Due to related parties (Note 6)	33,736	38,925
	<u>134,466</u>	<u>130,360</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 7 (a))	5,511,485	4,878,152
Special warrants (Note 7 (b))	700,000	300,000
Deficit	(5,222,322)	(4,936,825)
	<u>989,163</u>	<u>241,327</u>
	<u>\$ 1,123,629</u>	<u>\$ 371,687</u>

CONTINUING OPERATIONS (Note 2)

APPROVED BY THE BOARD:

(Signed) Lian Li

Lian Li, Director

(Signed) Daniel Sung

Daniel Sung, Director

PACIFIC GEOINFO CORP.

(formerly G.R. Pacific Resource Corp.)

Statements of Operations and Deficit

Years ended April 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
REVENUE		
Interest	\$ 12,339	\$ 6,190
EXPENSES		
Amortization	1,298	1,465
Bank charges and interest (Note 8)	1,232	1,019
Foreign exchange loss (gain)	100	(424)
Management fees (Note 8)	30,000	30,000
Office and miscellaneous	9,709	8,321
Professional fees	131,489	55,610
Rent (Note 8)	10,950	9,942
Shareholder services	4,831	2,165
Sponsorship fees	70,700	-
Telephone	3,620	2,553
Transfer agent and filing fees	17,674	8,542
Travel and accommodation	16,233	20,176
	<u>297,836</u>	<u>139,369</u>
NET LOSS FOR THE YEAR	(285,497)	(133,179)
DEFICIT, BEGINNING OF YEAR	(4,936,825)	(4,803,646)
DEFICIT, END OF YEAR	\$ (5,222,322)	\$ (4,936,825)
Basic and diluted loss per share	\$ (0.05)	\$ (0.03)
Weighted average number of common shares outstanding	<u>6,195,400</u>	<u>4,258,303</u>

PACIFIC GEOINFO CORP.

(formerly G.R. Pacific Resource Corp.)

Statements of Cash Flows

Years ended April 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
OPERATING ACTIVITIES		
Net loss for the year	\$ (285,497)	\$ (133,179)
Items not affecting cash:		
Accrued interest	885	885
Amortization	1,298	1,465
	<u>(283,314)</u>	<u>(130,829)</u>
Changes in non-cash working capital items		
Accounts receivable	(21,174)	(2,925)
Prepaid expenses	49,637	(50,700)
Accounts payable and accrued liabilities	8,410	8,766
Repayment of due to related parties	(5,189)	-
	<u>31,684</u>	<u>(44,859)</u>
	<u>(251,630)</u>	<u>(175,688)</u>
INVESTING ACTIVITY		
Purchase of equipment	-	(1,817)
FINANCING ACTIVITIES		
Special warrants issued	700,000	300,000
Purchase warrants exercised	333,333	-
	<u>1,033,333</u>	<u>300,000</u>
NET CASH INFLOW	781,703	122,495
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	311,586	189,091
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,093,289	\$ 311,586

CASH AND CASH EQUIVALENTS CONSIST OF:

Cash	\$ 10,463	\$ 5,925
Short-term deposits	1,082,826	305,661
	<u>\$ 1,093,289</u>	<u>\$ 311,586</u>

NON-CASH TRANSACTION:

During the year ended April 30, 2003, 1,200,000 (2002 - 1,388,888) special warrants issued for \$300,000 (2002 - \$250,000) were converted into common shares of the Company.

PACIFIC GEOINFO CORP.

(formerly G.R. Pacific Resource Corp.)

Notes to the Financial Statements

Years ended April 30, 2003 and 2002

1. DESCRIPTION OF BUSINESS

The Company was incorporated on August 1, 1985 under the Canada Business Corporations Act. On December 2, 1994, the Company was continued under the Business Corporations Act (Yukon). The Company's shares are widely held and are traded on the TSX Venture Exchange.

During the year ended April 30, 2003, regulatory approvals were received from Chinese authorities for the establishment of the equity joint venture, Qinhuangdao CASW Data Technology Co., Ltd. (the "Joint Venture Company"), a sino-foreign joint venture company. The business license for the Joint Venture Company was issued on December 2, 2002 by the State Administration for Industry and Commerce, Qinhuangdao Branch, China. The term of the joint venture is for 50 years, expiring on November 19, 2052 and may be extended. The Company subsequently underwent reactivation and completed its subscription for 60% of the equity of the Joint Venture Company on May 21, 2003 for RMB 3,000,000 (\$502,755). The joint venture partner had contributed cash of RMB 2,000,000 for its 40% interest in the Joint Venture Company. The business of the Joint Venture Company includes the design, development, marketing and support of data products, software and industry-focused solutions based on remote sensing, geographic information system and global position system technologies. The Company changed its name from G.R. Pacific Resource Corp. to Pacific GeoInfo Corp. on January 30, 2003 to better reflect its entry into the geomatics industry.

As part of its reactivation, the Company completed a private placement of \$700,000 on March 26, 2003 and issued 2,800,000 special warrants at \$0.25 each.

2. CONTINUING OPERATIONS

While these financial statements have been prepared on the basis of Canadian generally accepted accounting principles applicable to a going concern, several adverse conditions cast substantial doubt upon the validity of this assumption. At April 30, 2003, the Company had a deficit of \$5,222,322 (2002 - \$4,936,825). The Company's continued existence is dependent on the continuing financial support of the Company's creditors, and on the Company's ability to arrange for future financing and to ultimately attain profitable operations.

If the going concern assumption were not applied in the preparation of these financial statements, adjustments would be necessary to the carrying values and classification of assets and liabilities and the reported net loss.

PACIFIC GEOINFO CORP.
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Notes to the Financial Statements
Years ended April 30, 2003 and 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *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 disclosure 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.

(b) *Foreign currency translation*

Monetary assets and liabilities denominated in a foreign currency have been translated into Canadian dollars at the period end exchange rate. Revenues and expenses denominated in a foreign currency have been translated at the rate of exchange prevailing at the transaction date. Exchange gains or losses arising on these transactions are included in the statement of operations.

(c) *Cash and cash equivalents*

These include cash and short-term investments maturing within 90 days of the original date of acquisition.

(d) *Equipment*

Equipment is stated at cost and amortized on the declining balance method at the following annual rates:

Computer equipment	30%
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PACIFIC GEOINFO CORP.
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Notes to the Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) *Stock-based compensation*

Effective May 1, 2002, the Company adopted the new CICA section 3870, *Stock-Based Compensation and Other Stock-Based Payments*. As permitted by the new standard, the Company has applied this change prospectively for new awards granted on or after May 1, 2002. The Company applies the intrinsic value based method of accounting for stock-based compensation awards granted to employees. Accordingly, no compensation cost has been recognized for its fixed stock option plans. However, direct awards of stock to employees and stock and stock option awards granted to non-employees are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of direct awards of stock are determined by the quoted market price of the Company's stock and the fair value of stock options are determined using the Black-Scholes option pricing model. Pro forma information regarding net income is required as if the Company had accounted for its employee stock options granted after April 30, 2002 under the fair value method. The fair value for these options is estimated at the grant date using a Black-Scholes Option Pricing Model with assumptions for: weighted-average risk free interest rates; dividend yields; weighted-average volatility factors of the expected market price of the Company's Common shares; and a weighted-average expected life of the options. For purpose of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods.

(f) *Income taxes*

The Company accounts for income taxes using the asset and liability method. Under this method, future income taxes are recorded for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities. These future taxes are measured by the provisions of currently substantively enacted tax laws. Management believes that it is not sufficiently likely that the Company will generate sufficient taxable income to allow the realization of future tax assets and therefore the Company has fully provided for these assets.

(g) *Loss per share*

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the "treasury stock method" is used for the assumed proceeds upon the exercise of stock options that are used to purchase common shares at the average market price during the year.

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Notes to the Financial Statements
Years ended April 30, 2003 and 2002

4. EQUIPMENT

	2003		2002	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 14,922	\$ 11,894	\$ 3,028	\$ 4,326

5. LOAN PAYABLE

Loan payable, with interest calculated at 9.5% per annum on the original principal of \$9,318, is unsecured and due to a majority shareholder. The loan has no specific repayment terms.

6. DUE TO RELATED PARTIES

Amounts due to a company with common directors and one of the Company's directors are unsecured and non-interest bearing with no stated terms of repayment.

7. CAPITAL STOCK, WARRANTS AND STOCK OPTIONS

(a) *Common stock*

Authorized

Unlimited common shares without par value

Issued and outstanding

Changes in outstanding common shares were as follows:

	Number of Shares	Amount
Balance, April 30, 2000 and 2001	3,100,896	\$ 4,628,152
Special warrants exercised	1,388,888	250,000
Balance April 30, 2002	4,489,784	4,878,152
Purchase warrants exercised	1,388,888	333,333
Special warrants exercised	1,200,000	300,000
Balance April 30, 2003	7,078,672	\$ 5,511,485

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7. CAPITAL STOCK, WARRANTS AND STOCK OPTIONS (Continued)

(b) *Warrants*

During the year ended April 30, 2001, the Company issued 1,388,888 special warrants at \$0.18 each. Each special warrant was subsequently exercised and converted into one common share and one share purchase warrant. Each share purchase warrant entitled the holder to purchase one additional common share at a price of \$0.24 for a period of two years. The 1,388,888 share purchase warrants were exercised during the year ended April 30, 2003.

During the year ended April 30, 2002, the Company issued 1,200,000 special warrants at \$0.25 each. Each special warrant was converted into one unit consisting of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$0.25 until January 21, 2004.

During the year ended April 30, 2003, the Company issued 2,800,000 special warrants at \$0.25 each. Each special warrant is convertible, at no additional cost, into one unit consisting of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$0.25 until March 25, 2005.

(c) *Stock options*

The Board of Directors of the Company administers a stock option plan to attract and motivate directors and officers of the Company and thereby advance the Company's interests by affording such persons an opportunity to acquire an equity interest in the Company. The plan permits the grant of options to purchase the greater of:

- A. 1,975,734 common shares of the Company; or
- B. such number of common shares as is equal to the aggregate of (1) 20% of the Company's issued and outstanding share capital and (2) the number of common shares reserved for issuance upon the conversion of outstanding special warrants.

No option was granted as of April 30, 2003.

8. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2003, the Company:

- (i) incurred management fees of \$30,000 (2002 - \$30,000) payable to a director;
 - (ii) incurred interest expense of \$885 (2002 - \$885) payable to a majority shareholder;
-

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 Years ended April 30, 2003 and 2002

8. RELATED PARTY TRANSACTIONS (Continued)

- (iii) incurred rent of \$10,950 (2002 - \$9,942) payable to a company with a common director; and
- (iv) incurred accounting fees of \$3,600 (2002 - \$3,600) payable to a company with a common director.

9. INCOME TAXES

No provision for recovery of income taxes was made during 2003 and 2002 in light of the matters discussed below.

Significant components of the Company's future tax assets (using a Canadian base statutory tax rate of 35.62% and 42.95% respectively) as of April 30, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Future income tax assets arising from tax loss carry-forwards	\$ 245,000	\$ 276,000
Valuation allowance	(245,000)	(276,000)
Net future income tax assets	\$ -	\$ -

Due to the uncertainty surrounding the realization of future income tax assets in future income tax returns, the Company has made a 100% valuation allowance against its future income tax assets.

The Company has non-capital losses of approximately \$688,000 available to apply against future Canadian income for tax purposes. The non-capital losses will expire as follows:

2004	\$ 158,000
2005	64,000
2006	50,000
2007	67,000
2008	72,000
2009	130,000
2010	147,000
	<u>\$ 688,000</u>

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Years ended April 30, 2003 and 2002

10. SEGMENTED INFORMATION

(a) *Industry information*

The Company operates in one reportable operating segment, being the geomatics industry.

(b) *Geographic information*

Revenues from operations in 2003 and 2002 were derived from interest income which was earned in Canada. Equipment of the Company is located in Canada.

11. FINANCIAL INSTRUMENTS AND RISK

The fair values of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities were estimated to approximate their carrying values.

The Company's financial instruments also include loan payable and amounts due to related parties, the fair value of which is not practicably determinable.

The Company undertakes transactions denominated in foreign currencies and as such is exposed to risk due to fluctuations in foreign exchange rates.
