

Consolidated Financial Statements of

VVC EXPLORATION CORP.
(formerly Vulcan Ventures Corp.)

Years ended January 31, 2002 and 2001

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of VVC Exploration Corp. (formerly Vulcan Ventures Corp.) as at January 31, 2002 and 2001 and the consolidated 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 January 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied, after giving retroactive effect to the change in the method of calculating earnings per share as explained in note 3(i) to the consolidated financial statements, on a consistent basis.

KPMG LLP

Chartered Accountants

Vancouver, Canada

May 13, 2002

VVC EXPLORATION CORP.

(formerly Vulcan Ventures Corp.)

Consolidated Balance Sheets

January 31, 2002 and 2001

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,570	\$ 149,837
Accounts receivable	1,719	9,726
Note receivable (note 9(b))	-	793,690
	9,289	953,253
Equipment, net of accumulated amortization of \$3,242 (2001 - \$2,460)	1,823	1,514
Mineral properties (note 4)	132,053	5,000
Goodwill (2001 - net of accumulated amortization of \$13,104)	-	117,943
	\$ 143,165	\$ 1,077,710

Liabilities and Capital Stock and Deficit

Current liabilities:		
Accounts payable and accrued liabilities	\$ 144,952	\$ 79,032
Loan payable (note 9(c))	-	142,687
Payable to related parties (note 9(d))	-	178,079
Debentures payable (note 9(e))	-	793,690
	144,952	1,193,488
Capital stock and deficit:		
Capital stock (note 5)	3,420,479	3,289,860
Deficit	(3,422,266)	(3,405,638)
	(1,787)	(115,778)
	\$ 143,165	\$ 1,077,710

Nature of operations (note 1)
Going concern (note 2)
Commitments (notes 4 and 6)
Subsequent events (notes 4(c), 5(c), 5(f) and 6)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director

Director

VVC EXPLORATION CORP.

(formerly Vulcan Ventures Corp.)

Consolidated Statements of Operations and Deficit

Years ended January 31, 2002 and 2001

	2002	2001
Revenue:		
Interest	\$ 207	\$ 165
Expenses:		
Amortization	782	556
Bank charges and interest	293	293
Bad debts	10,810	-
Listing and transfer fees	10,857	13,723
Management fees	20,940	50,750
Office and sundry	6,015	11,495
Professional fees	24,658	19,907
Rent	4,231	6,354
Telephone	4,864	1,860
Travel and promotion	4,769	2,823
	88,219	107,761
Loss before the undernoted	(88,012)	(107,596)
Write-down of mineral properties (note 4)	(5,000)	(11,028)
Loss from continuing operations	(93,012)	(118,624)
Discontinued operations:		
Income (loss) from real estate investment and property management operations (note 8)	76,384	(20,318)
Loss for the year	(16,628)	(138,942)
Deficit, beginning of year	(3,405,638)	(3,266,696)
Deficit, end of year	\$ (3,422,266)	\$ (3,405,638)
Basic earnings (loss) per share (note 3(i)):		
Continuing operations	\$ (0.01)	\$ (0.03)
Discontinued operations	0.01	-
	\$ (0.00)	\$ (0.03)
Diluted earnings (loss) per share (note 3(i)):		
Continuing operations	\$ (0.01)	\$ (0.03)
Discontinued operations	0.01	-
	\$ (0.00)	\$ (0.03)
Weighted average number of common shares outstanding:		
Basic	6,426,665	4,185,931
Diluted	6,426,665	4,185,931

See accompanying notes to consolidated financial statements.

VVC EXPLORATION CORP.

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Consolidated Statements of Cash Flows

Years ended January 31, 2002 and 2001

	2002	2001
Cash provided for (used in):		
Operations:		
Loss for the year	\$ (16,628)	\$ (138,942)
Items not involving cash:		
Amortization	782	7,108
Bad debts	10,810	-
Write-down of mineral properties	5,000	11,028
Gain on sale of subsidiary included in discontinued operations (note 8)	(91,435)	-
Change in non-cash operating working capital		
Accounts receivable	(2,803)	2,577
Accounts payable and accrued liabilities	69,490	60,185
	(24,784)	(58,044)
Investments:		
Net cash reduction arising from sale of subsidiary (note 8)	(151,321)	-
Mineral properties	(117,053)	(11,028)
Purchase of equipment	(1,091)	(216)
	(269,465)	(11,244)
Financing:		
Payable to related parties	36,363	33,137
Capital stock	115,619	40,936
	151,982	74,073
Increase (decrease) in cash and cash equivalents	(142,267)	4,785
Cash and cash equivalents, beginning of year	149,837	145,052
Cash and cash equivalents, end of year	\$ 7,570	\$ 149,837
Supplemental information:		
Non-cash transactions:		
Shares issued for mineral properties	\$ 15,000	\$ 5,000
Shares issued in settlement of advances on share subscriptions	-	37,814
Decrease in debenture payable and note receivable	-	30,414

See accompanying notes to consolidated financial statements.

VVC EXPLORATION CORP.

(formerly Vulcan Ventures Corp.)

Notes to Consolidated Financial Statements

Years ended January 31, 2002 and 2001

1. Nature of operations:

The Company was incorporated on April 11, 1983 under the Company Act (British Columbia). Subsequent to the disposition of the Company's real estate investment and property management subsidiary (note 9), the Company's principal business activities include the exploration and development of mineral properties.

On July 30, 2000, the shareholders approved a change of the Company's name, from Huntington Resources Inc. to Vulcan Ventures Corp. The Company was subsequently ordered by the Federal Court Trial Division to change its name as it conflicts with a similar name of a private foreign corporation and during the year ended January 31, 2002, the Company changed its name to VVC Exploration Corp.

The Company is in the process of exploring its mineral properties and has not yet determined whether they contain economically recoverable reserves. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete development, confirmation of the Company's interest in the underlying mineral claims and leases and upon future profitable production from or the proceeds from the disposition of its mineral properties.

2. Going concern:

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business. As at January 31, 2002, the Company had a working capital deficiency of approximately \$136,000, a shareholders' deficiency of \$1,787 and the Company continues to incur operating losses. The application of the going concern concept is dependent on the Company's ability to raise financing that will allow the Company to continue with its strategy of identifying, acquiring and developing mineral properties and ultimately to generate future profitable operations. Management is of the opinion that sufficient working capital will be obtained from external financing and/or the sale of the indirect interests in assets to meet the Company's liabilities and commitments as they come due. Failure to continue as a going concern could require restatement of assets and liabilities on a liquidation basis, which would differ materially from the going concern basis.

3. Significant accounting policies:

(a) Basis of presentation:

For the Company's January 31, 2001 year end, the consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 648217 Alberta Ltd., and its wholly-owned subsidiary, Encore Capital Corporation. During fiscal 2002, the Company sold its subsidiary (note 8). Significant intercompany balances and transactions have been eliminated.

VVC EXPLORATION CORP.

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Notes to Consolidated Financial Statements

Years ended January 31, 2002 and 2001

3. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents includes financial instruments with maturities of less than ninety days at the date of acquisition.

(c) Equipment:

Equipment is recorded at cost. Amortization is provided on a declining basis at a rate of 30% per year. In the year of acquisition, amortization is recorded at one-half the normal rate.

(d) Mineral properties:

All costs related to mineral properties are capitalized on a property-by-property basis. Such costs include mining claim acquisition costs and exploration and development expenditures, net of any recoveries. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized on the unit-of-production method based upon estimated proven reserves. When there is little prospect of further work on a property being carried out by the Company, or if it is determined that there has been an impairment in the carrying value, the deferred costs related to that property are charged to operations.

The amounts shown for mineral properties represent costs to date, net of associated recoveries and write-downs, and are not necessarily intended to reflect present or future values.

(e) Goodwill:

Goodwill, which represented the excess of purchase price over net liabilities assumed on acquisition of 648217 Alberta Ltd. in fiscal 2000, was being amortized over a period of 20 years (note 8).

(f) Stock-based compensation:

The Company grants stock options under TSX Venture Exchange policies, which are described in note 5(b). No compensation expense is recorded when the options are granted. Any consideration paid by employees or directors on exercise of stock options is credited to share capital.

(g) Revenue recognition:

Primary interest income is accrued as revenue on a monthly basis, whereas deferred interest income is recorded as revenue upon receipt.

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Notes to Consolidated Financial Statements

Years ended January 31, 2002 and 2001

3. Significant accounting policies (continued):

(h) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (temporary differences). Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. To the extent that it is not considered to be more likely than not that a deferred tax asset will be realized, a valuation allowance is provided.

(i) Earnings per share:

Basic loss per share is calculated using the weighted average number of common shares issued and outstanding during the period. Effective February 1, 2001, the Company adopted Section 3500 "*Earnings per Share*" of the CICA Handbook. This standard requires the use of the treasury stock method for calculating diluted earnings per share. As the Company reported a loss in 2001, there was no effect of this change in accounting for earnings per share and accordingly, no adjustments to previously reported balances were required.

(j) Foreign currency:

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the time of the transactions. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains or losses are included in operations, except for gains and losses related to long-term monetary items which are deferred and amortized over the life of the term.

(k) 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 amount of revenues and expenses recognized during the reporting period. In these financial statements, the most significant application of estimates is in the assessment of the underlying value of the note receivable. Actual results could differ from those estimates and these differences could have a significant impact on the financial statements.

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Notes to Consolidated Financial Statements

Years ended January 31, 2002 and 2001

3. Significant accounting policies (continued):

(l) Fair value of financial instruments:

The Company's financial instruments include cash and cash equivalents, accounts receivable, note receivable, accounts payable and accrued liabilities, loan payable, payable to related parties and debentures payable. Due to their short-term to maturity, the carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and loan payable approximates their fair value. The fair value of note receivable and payable to related parties cannot be readily determined due to their related party nature. The fair value of debentures payable is determined by reference to various market data and other valuation techniques as appropriate and is estimated to approximate its carrying value.

(m) Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

4. Mineral properties:

	Balance January 31, 2001	Additions	Write-down	Balance January 31 2002
R.N. property (Western Quebec):				
Staking, prospecting and mapping	\$ -	\$ 14,537	\$ -	\$ 14,537
Geological and geochemical consulting	-	6,000	-	6,000
Soil and surface sampling	-	80,558	-	80,558
Exploration costs	-	101,095	-	101,095
Otish Mountain property (Quebec):				
Acquisition costs	-	13,458	-	13,458
Di Placido property (Cobalt, Ontario):				
Acquisition costs	-	17,500	-	17,500
Grand-Fortune property (Grand Forks, B.C.):				
Acquisition costs	5,000	-	(5,000)	-
	\$ 5,000	\$ 132,053	\$ (5,000)	\$ 132,053

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4. Mineral properties (continued):

	Balance January 31, 2000	Additions	Write-downs	Balance January 31 2001
Grand-Fortune property (Grand Forks, B.C.):				
Acquisition costs	\$ -	\$ 5,000	\$ -	\$ 5,000
Dome Rock property (Kelowna, B.C.):				
Acquisition costs	-	10,000	(10,000)	-
Exploration costs	-	1,028	(1,028)	-
	\$ -	\$ 16,028	\$ (11,028)	\$ 5,000

(a) R.N. property:

During fiscal 2002, the Company staked eleven claims in the Guigues Township of Quebec and commenced exploration on those claims during the year.

(b) Otish Mountain property:

In December 2001, the Company applied to the Ministère des Ressources naturelles du Quebec for title to 209 claims in the Otish Mountain region of Quebec. The Company has received approval for 100 of the claims applied at a cost of \$100 per claim. To maintain the claims in good standing, the Company must incur exploration costs on these claims within a twelve month period.

(c) Di Placido property:

By an agreement dated on November 7, 2001, the Company acquired an option to purchase a 100% interest in eleven claims in the Cobalt area of Ontario. Eight of the claims are located in James Township and three are located in Gillies Limit Township. The agreement provides that the Company may acquire a 100% interest in the claims, subject to a 3% Net Smelter Return royalty, for the following consideration:

	Cash	Shares	Exploration expenditures
(i) On November 7, 2001 (paid/issued)	\$ 2,500	100,000	\$ -
(ii) On March 7, 2002	2,500	-	-
(iii) On July 7, 2002	2,500	-	-
(iv) On or before November 7, 2002	-	100,000	20,000
(v) On or before November 7, 2003	-	-	20,000

The Company did not make the payment due March 7, 2002, but is seeking an extension of the due date of the remaining payments due under the option agreement.

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4. Mineral properties (continued):

(d) Grand-Fortune property:

On February 18, 2000, the Company entered into an option agreement to earn a 100% interest in the Grand-Fortune mineral property near Grand Forks, B.C. The Company issued 50,000 common shares in connection with this agreement.

During the 2002 fiscal year, the Company determined the Grand-Fortune property was not economic at then-current gold prices. Accordingly, the property was surrendered to the optionor and the acquisition costs were written-off.

(e) Subsequent events:

Subsequent to January 31, 2002, the Newfoundland/Labrador Ministry of Mines and Energy granted a mineral license to the Company covering 71 claims in the Botwood Gold Trend in Central Newfoundland at a cost of \$60 per claim, totaling \$4,260.

5. Capital stock:

(a) Authorized:

10,000,000 common shares without par value

(b) Issued:

	2002		2001	
	Number	Amount	Number	Amount
Issued	6,442,431	\$ 3,307,710	4,585,931	\$ 3,114,860
To be issued (note 5(c))	1,054,292	112,769	1,750,000	175,000
	7,496,723	\$ 3,420,479	6,335,931	\$ 3,289,860

	Number of shares	Amount
Balance, January 31, 2000	3,410,931	\$ 3,031,110
Shares issued:		
Acquisition of mineral property (note 4(d))	50,000	5,000
Private placement	750,000	75,000
Performance shares	375,000	3,750
Balance, January 31, 2001	4,585,931	3,114,860
Shares issued:		
Acquisition of mineral property (note 4(c))	100,000	15,000
Private placements	750,000	75,000
Reduction in shares to be issued (note 5(c))	962,500	96,250
Exercise of share purchase warrants (note 5(e))	44,000	6,600
Balance, January 31, 2002	6,442,431	\$ 3,307,710

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Notes to Consolidated Financial Statements

Years ended January 31, 2002 and 2001

5. Capital stock (continued):

(b) Issued (continued):

In January 2002, the Company issued 750,000 units, each unit consisting of one share and one share purchase warrant, by way of a private placement for total proceeds of \$75,000. The warrants are exercisable at \$0.10 per share in the first year and \$0.15 per share in the second year.

During the year ended January 31, 2001, the Company issued 375,000 performance shares to the President of the Company for cash of \$0.01 per share. These shares are held in escrow.

On May 3, 2000, the Company issued 163,000 shares and 587,000 units, each unit consisting of one share and one share purchase warrant, by way of a private placement for total proceeds of \$75,000. The warrants are exercisable at \$0.10 per share in the first year and \$0.15 per share in the second year.

(c) Shares to be issued:

	Number of shares	Amount
Balance, January 31, 2000 and 2001	1,750,000	\$ 175,000
Issued in fiscal 2002	(962,500)	(96,250)
To be issued on debt settlement	787,500	78,750
Proceeds received on private placement	200,000	24,000
Proceeds received on exercise of warrants	66,792	10,019
Balance January 31, 2002	1,054,292	\$ 112,769

During the 2000 fiscal year, as part of a debt settlement with certain of its creditors, the Company agreed to settle \$175,000 of debts due to the President of the Company for 1,750,000 shares of the Company to be issued. During fiscal 2002, the Company issued 962,500 escrowed shares to the President by way of a reduction of shares to be issued. These shares can be released from escrow over a period of three years.

Subsequent to January 31, 2002, the shares to be issued on private placement and on exercise of warrants were issued. The private placement consisted of 200,000 shares at \$0.12 per share and 200,000 share purchase warrants exercisable at \$0.16 per share for the first year and \$0.21 per share for the second year.

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Notes to Consolidated Financial Statements

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5. Capital stock (continued):

(d) Options:

The Company grants options pursuant to the policies of the TSX Venture Exchange with respect to eligible persons, exercise price, maximum term, vesting, maximum options per person and termination of eligible person status.

The continuity of outstanding options for the purchase of common shares of the Company, all of which are exercisable, is as follows:

Expiry dates	Exercise prices	Balance January 31, 2001	Granted	Exercised	Expired/cancelled	Balance January 31, 2002
May 12, 2005	\$ 0.20	425,000	-	-	(425,000)	-
May 5, 2005	0.20	-	40,000	-	-	40,000
September 20, 2006	0.10	-	490,000	-	-	490,000
		425,000	530,000	-	(425,000)	530,000
Weight average exercise price		\$ 0.20	\$ 0.11	\$ -	\$ (\$0.20)	\$ 0.11

Expiry dates	Exercise prices	Balance January 31, 2000	Granted	Exercised	Expired/cancelled	Balance January 31, 2001
May 12, 2005	\$ 0.20	-	425,000	-	-	(425,000)
Weight average exercise price		\$ -	\$ 0.20	\$ -	\$ -	\$ (\$0.20)

(e) Warrants:

	Number of shares	Exercise price	Weighted average life remaining (years)
Balance, January 31, 2000	57,200	\$ 0.20	0.40
Expired	(57,200)	(0.20)	
Issued (expiry in 2002)	587,000	0.10/0.15	1.50
Balance, January 31, 2001	587,000	\$ 0.10/0.15	1.50
Exercised	(44,000)	0.15	
Issued (expiry in January 2004)	750,000	0.10/0.15	2.00
Balance, January 31, 2002	1,293,000	\$ 0.10/0.15	1.25

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Notes to Consolidated Financial Statements

Years ended January 31, 2002 and 2001

5. Capital stock (continued):

(f) Subsequent events:

In addition to the subsequent events involving capitol stock disclosed in note 5(c), subsequent to January 31, 2002, the Company issued the following shares:

	Number of shares	Amount
On settlement of amounts due to the President of the Company (note 6)	184,064	\$ 36,813
On exercise of warrants	356,208	53,431
On private placement	350,000	42,000
	890,272	\$ 132,244

The private placement consisted of 350,000 shares at \$0.12 per share and share purchase warrants exercisable at \$0.15 per share for the first year and \$0.20 per share for the second year.

6. Related party transactions and commitment:

The Company has entered into a management agreement with the President that includes a monthly management fee of \$5,000. However, for the 2002 fiscal year, the President agreed to reduce the management fee to \$20,940 (2001 - \$50,750). Included in accounts payable and accrued liabilities is \$66,259 (2001 - \$62,840) owing to the President. Subsequent to January 31, 2002, \$36,813 of the amount due to the President was settled by issuing 184,064 common shares (note 5(f)).

During fiscal 2002, the Company paid \$21,449 to a significant shareholder for services and out-of-pocket expenditures incurred on the Quebec mineral properties of the Company.

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Notes to Consolidated Financial Statements

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7. Future income taxes:

Substantially all of the difference between the actual tax expense (recovery) of nil and the expected B.C. statutory income tax recovery relates to losses not previously recognized. The Company has accumulated aggregate income tax balances that would give rise to future tax benefits as follows:

	2002	2001
Future income tax assets:		
Losses for tax purposes which can be applied up to 2009	\$ 670,000	\$ 734,000
Valuation allowance	(670,000)	(734,000)
	\$ -	\$ -

8. Discontinued operations:

(a) Sale of subsidiary:

During fiscal 2002, the Company entered into negotiations for the sale of its subsidiary, and on January 31, 2002, the Company disposed of its subsidiary for proceeds of \$1. As the subsidiary held all of the Company's real estate investment and property management business segment, the results of operations of the subsidiary have been presented as discontinued operations.

The assets and liabilities that were attributable to the subsidiary were comprised as follows:

Cash	\$ 151,321
Note receivable (note 8(b))	838,094
Goodwill	117,943
	1,107,358
Accounts payable and accrued liabilities	3,500
Loan payable (note 8(c))	142,687
Payable to related parties (note 8(d))	214,422
Debentures payable (note 8(e))	838,094
	1,198,703
Gain on sale of subsidiary	91,345
Loss from operations	(14,961)
Income from real estate investment and property management operations for the year ended January 31, 2002	\$ 76,384

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Notes to Consolidated Financial Statements

Years ended January 31, 2002 and 2001

8. Discontinued operations (continued):

(a) Sale of subsidiary (continued):

The operating results from discontinued operations for the years ended January 31, 2002 and 2001 are as follows:

	2002	2001
Interest income	\$ 102,604	\$ 99,665
Expenses:		
Interest	104,538	90,468
Amortization	-	6,552
Loan administration fees	9,064	12,890
Professional fees	3,963	10,073
	117,565	119,983
	\$ (14,961)	\$ (20,318)

(b) Note receivable:

The note receivable was due from 498932 British Columbia Ltd. ("498932"), was the principal amount of U.S. \$528,000 and was secured by a pledge of the 528 limited partnership units of Vecwest Whispering Pines Limited Partnership (the "Partnership") owned by 498932, by a guarantee of Vecwest Properties Ltd. ("Vecwest") and by a personal guarantee of a director of 498932. The note receivable was to mature on the earlier of the date of sale of Whispering Pines Apartments, a 264 unit apartment complex located in El Paso, Texas owned by the Partnership, or August 23, 2002.

Interest was receivable as follows:

Primary interest receivable monthly	12.0% per annum
Deferred interest receivable annually and at maturity, only to the extent that cash distributions on the units of the Partnership are available to 498932 to fund such payments.	12.5% per annum

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8. Discontinued operations (continued):

(b) Note receivable (continued):

Deferred interest was limited to the sum of:

(i) U.S. \$52,800; and

(ii) 80% of the possible difference between the cash distribution received from the Partnership arising from the gain on the sale of the apartment complex and U.S. \$158,400.

No deferred interest receivable was recognized by the Company.

Vecwest, 498932, the Partnership and 648217 Alberta Ltd. are related due to common management having authority and responsibility for planning, directing and managing the activities of each entity.

(c) Loan payable:

The loan payable was drawn under the terms of a demand credit facility in the maximum amount of \$150,000 and interest was calculated at bank prime plus 0.25% per annum, payable monthly. The loan was payable on demand, renewable annually, and secured by a hypothecation of a term deposit in the amount of \$142,687 and a General Security Agreement granting the lender a first security interest in all the Company's assets.

(d) Payable to related parties:

Vecwest Properties Ltd.	\$ 178,104
Vecwest Whispering Pines Limited Partnership	(25)
	<hr/>
	\$ 178,079

Amounts due to related parties, which were entities under common management, were unsecured, non-interest bearing and repayable on demand.

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8. Discontinued operations (continued):

(e) Debentures payable:

The Series B debentures payable were fully registered limited recourse obligations of the Company issued in denominations of U.S. \$1,000 or multiples thereof. The principal amount issued was U.S. \$528,000 and was secured by a pledge of the note receivable due from 498932. The debentures were due to mature on the earlier of the date of repayment of the note receivable or August 23, 2002. Interest was payable as follows:

Primary interest receivable monthly	11.5% per annum
Deferred interest payable annually on August 23 and at maturity in the amount, if any, of any deferred interest on the note receivable received by the Company from 498932	10.0% per annum

No deferred interest payable was recognized by the Company.