



British Columbia Securities Commission

**QUARTERLY AND YEAR END  
REPORT**  
BC FORM 51-901F  
(previously Form 61)

**Amended and Restated**

INCORPORATED AS PART:  Schedule A

Schedule B and C

<b>COMPANY DETAILS</b> NAME OF COMPANY	FOR QUARTER ENDED	DATE OF REPORT Y M D		
ANDOVER VENTURES INC.	DECEMBER 31, 2003	04	05	21

COMPANY ADDRESS

125A-1030 DENMAN ST.

CITY	PROVINCE	POSTAL CODE	COMPANY FAX NO.	COMPANY TELEPHONE NO.
VANCOUVER	BC	V6G 2M6	604-684-4407	604-688-6803
CONTACT PERSON		CONTACT POSITION		CONTACT TELEPHONE NO.
FRANK UNDERHILL		DIRECTOR		604-688-6803
CONTACT EMAIL ADDRESS		WEB SITE ADDRESS		

**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	PRINT FULL NAME	DATE SIGNED Y M D		
"FRANK UNDERHILL"	FRANK UNDERHILL	04	05	21
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED Y M D		
"WALTER BRENNER"	WALTER BRENNER	04	05	21

**ANDOVER VENTURES INC.**

(A Development Stage Company)

“Schedule A”

Consolidated Financial Statements

DECEMBER 31, 2003

*(Unaudited-Prepared by Management)*

# ANDOVER VENTURES INC.

(A Development Stage Company)

## Balance Sheets

As at

(In Canadian Dollars)

(Unaudited-Prepared by Management)

	<b>December 31 2003</b>	March 31 2003
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and equivalents	\$ 477,548	\$ 149,993
Accounts receivable	4,821	-
	<u>482,369</u>	<u>149,993</u>
	<b>\$ 482,369</b>	<b>\$ 149,993</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,000	\$ 1,000
Due to related party	-	645
	<u>2,000</u>	<u>1,645</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital Stock (Note 4)</b>		
Authorized: 200,000,000 common shares without par value; 50,000 Class A preferred shares without par value; and 50,000 Class B preferred shares without par value		
Issued and fully paid: 1,250,000 common shares	580,434	150,000
<b>Deficit, accumulated during the development stage</b>	<u>( 100,065)</u>	<u>(1,652)</u>
	<u>480,369</u>	<u>148,348</u>
	<b>\$ 482,369</b>	<b>\$ 149,993</b>

Approved by the Directors:

*"Frank R. Underhill"*

Frank R. Underhill, *Chief Executive Officer and Director*

*"Walter Brenner"*

Walter Brenner, *Chief Financial Officer and Director*

# ANDOVER VENTURES INC.

(A Development Stage Company)

## Income Statements

(In Canadian Dollars)

(Unaudited-Prepared by Management)

	Cumulative From Date of Inception on February 12, 2003 to December 31, 2003	Three Months Period Ended December 31, 2003	Nine Months Period Ended December 31, 2003
<b>INTEREST REVENUE</b>	\$ <u>2,307</u>	\$ <u>1,226</u>	\$ <u>2,286</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Incorporation Costs written off	665	-	-
Interest and bank charges	256	191	248
Consulting fees	49,064	49,064	49,064
Professional fees	5,615	2,725	4,615
Advertising and promotion	28,500	28,500	28,500
License, dues and insurance	445	-	445
Transfer agent and filing fees	<u>17,827</u>	<u>6,457</u>	<u>17,827</u>
	<u>102,372</u>	<u>86,937</u>	<u>100,699</u>
<b>NET LOSS FOR THE PERIOD</b>	<u>(100,065)</u>	<u>(85,711)</u>	<u>(98,413)</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b>		\$ (0.02)	\$ (0.03)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>		3,750,000	3,750,000

**ANDOVER VENTURES INC.**  
(A Development Stage Company)  
**Statement of Retained Earnings (Deficit)**  
(In Canadian Dollars)  
(Unaudited-Prepared by Management)

	Cumulative From Date of Inception on February 12, 2003 to December 31, 2003	Three Months Period Ended December 31, 2003	Nine Months Period Ended December 31, 2003
<b>RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD</b>	\$ -	\$ (14,354)	\$ (1,652)
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<u>(100,065)</u>	<u>(85,711)</u>	<u>(98,413)</u>
<b>RETAINED EARNINGS (DEFICIT), END OF PERIOD</b>	<u>\$ (100,065)</u>	<u>\$ (100,065)</u>	<u>\$ (100,065)</u>

# ANDOVER VENTURES INC.

(A Development Stage Company)

## Statement of Cash Flows

(In Canadian Dollars)

(Unaudited-Prepared by Management)

	Cumulative From Date of Inception on February 12, 2003 to December 31, 2003	Three Months Period Ended December 31, 2003	Nine Months Period Ended December 31, 2003
<b>CASH PROVIDED BY (USED FOR)</b>			
<b>OPERATING ACTIVITIES</b>			
Loss for the period	\$ (100,065)	\$ (85,711)	\$ (98,413)
Changes in non-cash working capital items:			
Increase in accounts receivable	(4,821)	(4,540)	(4,821)
Increase in accounts payable	2,000	(1,813)	1,000
	<u>(102,886)</u>	<u>(92,064)</u>	<u>(102,234)</u>
<b>FINANCING ACTIVITIES</b>			
Capital stock subscribed	650,000	500,000	500,000
Commission and share issuance costs	(69,566)	(69,566)	(69,566)
Advance from related party	-	-	(645)
	<u>580,434</u>	<u>430,434</u>	<u>429,789</u>
<b>INVESTING ACTIVITIES</b>			
Deferred charges – Sponsorship fee	-	15,000	-
	<u>-</u>	<u>15,000</u>	<u>-</u>
<b>CASH INCREASE (DECREASE), DURING THE PERIOD</b>	477,548	353,370	327,555
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	<u>-</u>	<u>124,178</u>	<u>149,993</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	<u>477,548</u>	<u>477,548</u>	<u>477,548</u>

**ANDOVER VENTURES INC.**  
**(A Development Stage Company)**  
Notes to the Financial Statements  
For the nine months period ended December 31, 2003  
(In Canadian Dollars)  
(Unaudited-Prepared by Management)

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**NOTE 1. BUSINESS OF THE COMPANY**

Andover Ventures Inc. ("The Company") is incorporated under the Laws of British Columbia, Canada on February 12, 2003, and is the date of inception of the Company.

The fiscal year end of the Company is March 31.

**NOTE 2. NATURE OF OPERATIONS**

The Company is a Capital Pool Company pursuant to TSX Venture Exchange policy and currently has no business operations. Accordingly, the deficit has been accumulated during the development stage.

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP")

**General and Administration Expenses**

General and Administration Expenses are written off to operations as incurred.

**Use of estimates**

The preparation of financial statements in conformity with Canadian GAAP 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Concentration of credit risk**

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents that are not collateralized. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions.

**Financial instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued and due to related party. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

**ANDOVER VENTURES INC.**  
**(A Development Stage Company)**  
Notes to the Financial Statements  
For the nine months period ended December 31, 2003  
(In Canadian Dollars)  
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**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with the maturity at the date of purchase of three months or less.

**Stock-based compensation**

The Company has adopted the new recommendations of CICA Handbook Section 3870, "Stock-based compensation and other stock-based payments", effective February 12, 2003. This Section establishes accounting standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. This Section sets out a fair value based method of accounting and is required for certain stock-based transactions and applied to awards granted on or after January 1, 2002. The Company, as permitted by Handbook Section 3870, has elected to account for all stock options granted to non-employees and employees by applying the fair value based method of accounting. The adoption of this accounting policy has no effect in these financial statements.

**NOTE 4. CAPITAL STOCK**

- (a) Authorized: 200,000,000 common shares without par value; 50,000,000 Class A preferred shares without par value; and 50,000,000 Class B preferred shares without par value.
- (b) Shares issued during the period ended December 31, 2003

Nature of Issue	Number of Shares	Price per Share	Consideration \$
Issuance for cash, March 31, 2003	1,000,000	\$ 0.10	100,000
Issuance for cash, March 31, 2003	250,000	0.20	50,000
Issuance for cash, Public offering, net of commissions and costs (1)	2,500,000	0.20	430,434
<b>Balance, December 31, 2003</b>	<b>3,750,000</b>		<b>580,434</b>

On October 22, 2003, the Company completed a public offering of 2,500,000 units at \$0.20 per unit for total proceeds of \$500,000. Agent's commission, due diligence, sponsorship, legal, and accounting costs totaling \$70,197 have been offset against the proceeds from the public offering.

- (c) Escrow shares

There are 1,000,000 common shares included in the above issued common shares, which are held in escrow subject to release upon terms of escrow agreements and approvals of regulatory authorities.

**ANDOVER VENTURES INC.**  
**(A Development Stage Company)**  
Notes to the Financial Statements  
For the nine months period ended December 31, 2003  
(In Canadian Dollars)  
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**NOTE 4. CAPITAL STOCK (Cont'd)**

(d) Special rights and restrictions of shares:

(i) Common shares: The holders of the common shares are entitled:

- To vote at all meetings of members, except meetings at which only holders of a specified class of shares are entitled to vote;
- To receive any dividend by the Company on the common shares; and
- Subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, to receive the remaining property of the Company upon dissolution, liquidation or winding-up of the Company.

(ii) Class A preferred shares:

- The holders of Class A preferred shares, in the discretion of the directors of the Company, shall be entitled in any year, out of the profits or surplus available for dividends, to receive non-cumulative dividends in such amount as may be determined by the directors in any year, but not exceeding twelve percent (12%) per annum of the redemption price for such shares, payable on such terms and at such time as the same may be declared by the directors of the Company in their discretion.
- The term "redemption price" for any Class A preferred share shall mean: (1) Where such share was issued for money, the amount for which such share was issued; or (2) Where such share was issued in whole or in part for a consideration other than money, then the amount in money (if any) paid for the issue of such share, plus an amount equal to the fair market value of such other consideration received; such fair market value shall be calculated as at the date of issue of such share and shall be determined in accordance with recognized standards of valuation.
- In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Class A preferred shares shall receive, before any distribution of the assets of the Company is made among the holders of the Class B preferred shares and common shares of the Company, an amount equal to the redemption price for such shares plus an amount equal to any dividends declared thereon but unpaid.
- Each holder of one or more Class A preferred shares shall have the right, in his discretion and at all times, to demand that the Company redeem all or any of the said shares registered in the name of the holder in the books of the Company
- The Company may, upon giving notice as hereinafter provided, redeem, subject to the provisions of the Company Act (British Columbia), the whole or any part of the Class A preferred shares on payment for each share to be redeemed of an amount equal to the redemption price for such share plus all dividends declared on such share but unpaid.
- The Company shall have the right, at its option, at any option, at its option, at any time and from time to time, to purchase for cancellation the whole or any part of the Class A preferred shares outstanding by invitation for tenders addressed to all holders of record of the Class A preferred shares outstanding.

**ANDOVER VENTURES INC.**  
**(A Development Stage Company)**  
Notes to the Financial Statements  
For the nine months period ended December 31, 2003  
(In Canadian Dollars)  
(Unaudited-Prepared by Management)

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**NOTE 4. CAPITAL STOCK (Cont'd)**

(iii) Class B preferred shares:

- The holders of Class B preferred shares, in the discretion of the directors of the Company, shall be entitled in any year, out of the profits or surplus available for dividends, to receive non-cumulative dividends in such amount as may be determined by the directors in any year, but not exceeding thirteen percent (13%) per annum of the redemption price for such shares, payable on such terms and at such time as the same may be declared by the directors of the Company in their discretion.
- The term "redemption price" for any Class B preferred share shall mean: (1) Where such share was issued for money, the amount for which such share was issued; or (2) Where such share was issued in whole or in part for a consideration other than money, then the amount in money (if any) paid for the issue of such share, plus an amount equal to the fair market value of such other consideration received; such fair market value shall be calculated as at the date of issue of such share and shall be determined in accordance with recognized standards of valuation.
- In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Class B preferred shares shall rank junior to the Class A preferred shares but the holders thereof shall receive, before any distribution of the assets of the Company is made among the holders of the common shares of the Company, an amount equal to the redemption price for such shares plus an amount equal to any dividends declared thereon but unpaid.

**NOTE 5. STOCK OPTIONS**

**Incentive stock options**

Dated for reference March 31, 2003, the Company granted 250,000 shares of incentive stock options to Directors (75,000 shares) and Executive Officers (175,000 shares). The exercise price is \$0.20 per share. The option holders have the right to exercise the options granted with respect to all or any portion of the optioned shares on or before five years after receipt by the company of a final prospectus qualifying the common shares of the company.

**Agent's options**

The Company has agreed to grant Canaccord Capital Corp. ("the Agent") the Agent's option entitling the Agent to purchase 10% of the number of shares sold hereunder, namely 125,000 shares in the event of the minimum subscription and up to 250,000 shares in the event of the maximum subscription, at any time up to the close of business 18 months from the day the Company's common shares are listed for trading on the TSX Venture Exchange ("TSX"), at a price of \$0.20 per share.

**ANDOVER VENTURES INC.**  
**(A Development Stage Company)**  
Notes to the Financial Statements  
For the nine months period ended December 31, 2003  
(In Canadian Dollars)  
(Unaudited-Prepared by Management)

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**NOTE 6. STOCK-BASED COMPENSATION**

The Company has adopted the new recommendations of CICA Handbook Section 3870, "Stock-based compensation and other stock-based payments", effective February 12, 2003. This Section establishes accounting standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. This Section sets out a fair value based method of accounting and is required for certain stock-based transactions and applied to awards granted on or after January 1, 2002. The Company, as permitted by Handbook Section 3870, has elected to account for all stock options granted to non-employees and employees by applying the fair value based method of accounting. The adoption of this accounting policy has no effect in these consolidated financial statements.



**ANDOVER VENTURES INC.****Management Discussion****For the nine months period ended December 31, 2003****Amended and Restated**

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**Description of Business**

Andover Ventures Inc. ("The Company") is incorporated under the Laws of British Columbia, Canada on February 12, 2003, and is the date of inception of the Company.

The Company is a Capital Pool Company pursuant to the policies of the Exchange. The principal business of the Company will be to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder approval and acceptance for filing by the Exchange. Until the completion of a Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of assets or businesses in connection with potential Qualifying Transactions. The Company does not have business operations or assets other than seed capital, and has no written or oral agreements for the acquisition of an asset or business at this time.

The fiscal year end of the Company is March 31.

**Description Of The Operation And Financial Condition Of Company***Directors*

Mr. Arthur T. Fisher, Director of the Company, passed away suddenly on January 23, 2004. Mr. Fisher was appointed as Director on June 25, 2003. No new director has been appointed.

*Private Placement*

On October 22, 2003, the Company completed an initial public offering (IPO) of 2,500,000 units at \$0.20 per unit for total proceeds of \$500,000. The Company also granted to the Agent, \$ 10,000 plus GST corporate finance fee and a commission of 10% of the gross proceed and will be granted a non-transferable Agent Options to acquire 10% of the number of Shares sold, up to a maximum of 250,000 common shares at a price of \$0.20 per share, exercisable for a period ending 18 months from the date of listing of the Shares on the Exchange

*Use of Funds*

The Company reported a net loss of (\$98,413) or (\$0.03) basic and diluted per share for the nine months period ended December 31, 2003. General and administrative expenses have increased significantly in the quarter ended December 31, 2003. This increase is primarily due to the review of technical reports and land evaluation on mineral properties for a Qualifying Transactions. In its IPO prospectus the Company had originally estimated it would incur only \$63,000 in general and administrative expenses until the completion of a Qualifying Transaction. This estimate was too low. General and administrative expenses totaled \$102,372 for the nine month period. The actual consulting, advertising, and transfer agent and filing fees are higher than estimated. This results in less money being available for the acquisition of a property or business to complete a Qualifying Transaction. The Company has adequate resources for identifying and evaluating assets or business prospects.

Expenses for the nine months include consulting fees of \$49,064 and advertising and promotion costs of \$28,500. The increase in consulting fees is due the evaluation and review of technical report on mineral properties for a Qualifying Transactions. The company has hired on a one time, fee for services rendered basis, several business consulting firms, legal firms, engineers and geologists in addition to translation service providers, in order to look for a property to comprise a Qualifying Transaction. These fees also include receipted travel expenses where authorized by the Company. The Company has focused it's efforts in Mexico and the USA but has also evaluated properties in China.

On December 22, 2003, the Company completed a public offering that contributed to the increased in consulting fee. The Agent's commission, company finance fee totaling \$60,000 have been recorded against consulting fee. The increase in advertising expenses was related to efforts to increase investor awareness of the Company and increase the likelihood of completing a successful Qualifying Transaction. No separate investor relations personnel have been

employed by the Company, however consulting fees have been paid to corporate finance specialists and analysts in the context of reviewing various projects and the possibility of acquiring and funding them through the Company.

During the period, the Company also incurred transfer agent and filing fees of \$17,827, interest and bank charges of \$248 and professional fees of \$4,615.

Cash used in financing activities for the nine months ended December 31, 2003 was \$430,434. The increase in cash provided by financing activities is due to the public offering obtained on December 22, 2003 to finance the Company.

### **Financing, Principal Purposes and Milestones**

During the three months period ended December 31, 2003, the Company has received \$429,803 from the public offering for 2,500,000 shares at \$0.20.

The Company proposes to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the Exchange and in the case of a Non Arm's Length Qualifying Transaction is also subject to Majority of the Minority Approval in accordance with the CPC Policy. The Company has not conducted commercial operations. The Company currently intends to pursue a Qualifying Transaction in the of mining or petroleum business sectors but there is no assurance that this will, in fact, be the business sector of a proposed Qualifying Transaction or of the Company following Completion of the Qualifying Transaction.

In accordance with the CPC Policy, except where the Resulting Company will be an oil and gas Company or a mining Company, the Significant Assets must be located in Canada or the United States.

Until Completion of a Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. With the consent of the Exchange, this may include the raising of additional funds in order to finance an acquisition. The funds raised pursuant to this Offering and any subsequent financing will be utilized for the identification and evaluation of potential Qualifying Transactions and not for any deposit, loan or direct investment in a potential acquisition, except as authorized by the Policies of the Exchange and the applicable securities regulations.

All potential acquisitions will be screened initially by management of the Company to determine their economic viability. Approval of acquisitions will be made by the board of directors. The board of directors will examine proposed acquisitions having regard to sound business fundamentals, utilizing the expertise and experience of the directors. Although the Company has commenced the process of identifying potential acquisitions with a view to completing the Qualifying Transaction, the Company has not yet entered into an Agreement in Principle.

### **Investor Relations**

The Company is has not engaged in any investor relations activities for the period. Investor inquiries are addressed by the officers and Directors of the Company.

### **Liquidity and Solvency**

As at December 31, 2003, the Company has a working capital of \$480,369 and a deficit of \$100,065. The payment of exploration and development costs and the development of property interests will therefore depend upon the Company's ability to obtain financing through private placement financing, public financing, the joint venturing of projects or other means.