

South American Minerals, Inc.
Form 10SB12G/A
January 19, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

<R>

FORM 10-SB/A

</R>

GENERAL FORM FOR REGISTRATION OF SECURITIES
OF
SMALL BUSINESS ISSUERS
Under Section 12(b) or (g) of the Securities Exchange Act of 1934

SOUTH AMERICAN MINERALS, INC.

(Name of Small Business Issuer in its charter)

Nevada

59-3394111

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer ID No.)

76 Beaver Street, 26th Floor, New York, New York

10005-3402

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number (212) 668-0842

Securities to be registered under Section 12(b) of the Act. *None*

Title of each class
to be so registered

Name of each exchange on which
each class is to be registered

Not applicable

Not Applicable

Securities to be registered under Section 12(g) of the Act.

Common Stock, \$.10 par value

Title of Class

SOUTH AMERICAN MINERALS, INC.
Table of Contents

Glossary

(ii)

Conversion Factors And Abbreviations

(iii)

<R>

PART I

PART I

	<u>Page</u>
<i>Item 1.</i> <u>Description of Business</u>	2
<i>Item 2.</i> <u>Management's Discussion and Analysis of Financial Conditions and Results of Operation</u>	20
<i>Item 3.</i> <u>Description of Property</u>	28
<i>Item 4.</i> <u>Security Ownership of Certain Beneficial Owners and Management</u>	35
<i>Item 5.</i> <u>Directors and Executive Officers, Promoters and Control Persons</u>	36
<i>Item 6.</i> <u>Executive Compensation</u>	38
<i>Item 7.</i> <u>Certain Relationships and Related Transactions</u>	39
<i>Item 8.</i> <u>Description of Securities</u>	40

PART II

<i>Item 1.</i> <u>Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters</u>	40
<i>Item 2.</i> <u>Legal Proceedings</u>	42
<i>Item 3.</i> <u>Changes in and Disagreements with Accountants</u>	42
<i>Item 4.</i> <u>Recent Sales of Unregistered Securities</u>	42
<i>Item 5.</i> <u>Indemnification of Directors and Officers</u>	43

PART F/S

Financial Statements	F-1
----------------------	-----

PART III

<i>Item 1.</i> <u>Index to Exhibits</u>	44
<i>Item 2.</i> <u>Description of Exhibits</u>	44
<u>Signature Page</u>	45

</R>

<R>

GLOSSARY OF TECHNICAL TERMS

Technical terms not defined in the text of this registration statement are defined below.

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

Assay	to analyze the proportions of metals in an ore.
Exploration Stage Company	as defined in the Securities and Exchange Commission's Industry Guide 7 is a company engaged in the search for mineral reserves that does not have any mineral reserves.
Formation	a distinct layer of sedimentary rock of similar composition.
Geological mapping	the recording of geologic information such as the distribution and nature of rock units and the occurrence of structural features, mineral deposits, and fossil localities
Geophysics	the study of the earth; in particular the physics of the solid earth, the atmosphere and the earth's magnetosphere
Greenstone	a sequence of usually metamorphosed volcanic-sedimentary rock assemblages
Laterite	highly weathered residual surficial soils and decomposed rocks, rich in iron and aluminum oxides that are characteristically developed in tropical climates.
Mineral	a naturally formed chemical element of compound having a definite chemical composition and, usually, a characteristic crystal form.
Mineralization	a natural occurrence in rocks or soil of one or more metalliferous minerals.
Outcrop	that part of a geologic formation or structure that appears at the surface of the earth.
PPMS	a medium scale operations prospecting permit in Guyana.
Probable Reserves	Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

</R>

iii

<R>

Proven Reserves	Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth, and mineral content of reserves are well-established.
Reserve	That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. The Staff of the Securities and Exchange Commission generally requires that a bankable feasibility study be conducted on any undeveloped exploration property before reserves can be designated.
Shield	a large area of exposed basement rocks often surrounded by younger rocks, e.g. Guyana Shield.
Surficial	situated, formed, or occurring on or close to the earth's surface
Volcanics	

those originally molten rocks, generally fine grained, that have reached or nearly reached the Earth's surface before solidifying.

Weathering the destructive process constituting that part of erosion whereby earthy and rock materials on exposure to atmospheric agents at or near the Earth's surface are changed in character with little or no transport of the loosened or altered material.

</R>

CONVERSION FACTORS AND ABBREVIATIONS

For ease of reference, the following conversion factors are provided:

1 acre	= 0.4047 hectare	1 mile	= 1.6093 kilometer
20 dwt	= 1.0 oz	12 oz	= 1.00 pounds
1 foot	= 0.3048 meter	1 troy ounce	= 31.1035 grams
1 gram per tonne	= 0.0292 ounce per short ton	1 square mile	= 2.59 square kilometer
1 short ton (2000 pounds)	= 0.9072 tonne	1 square kilometer	= 100 hectares

The following abbreviations of measurements are used herein:

Au	=	gold	m	=	meter
ct	=	carat	m/2/	=	square meter
ct/m/2/	=	carats per square meter	m/3/	=	cubic meter
dwt	=	24 grains	mg	=	milligram
gm	=	gram	mg/m/3/	=	milligrams per cubic
g/t	=	grams per tonne	t	=	metric tonne
ha	=	hectare	oz	=	troy ounce
km	=	kilometer	oz/t	=	troy ounces per ton
kg	=	kilogram	ppb	=	parts per billion

Note: All units in the text are stated in metric measurements unless otherwise noted.

PART I

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

<R> We caution readers that certain important factors may affect our actual results and could cause such results to differ materially from any forward-looking statements that we make in this registration statement. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. This Registration Statement contains statements that constitute forward-looking statements. These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology, such as believes, anticipates, expects, estimates, plans, may, or similar terms. These statements appear in a number of places in this Registration Statement, including but not limited to the following sections:

</R>

Part I, Item 1. Description of Business especially the disclosures set out under the heading Risk Factors ; and

Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

These statements include discussions regarding our intent, belief or current expectations with respect to many things. Some of these things are:

worldwide economic and political events affecting the supply of and demand for gold;

volatility in market prices for gold,

the establishment, quantification and recovery of reserves and mineralized material,

the cost of fuel,

the timing and scope of future dredging,

results of future feasibility studies,

financial market conditions, and the availability of debt or equity financing on terms acceptable to us,

political, economic and operational risks of foreign operations,

force majeure events,

competition,

environmental regulations,

uninsured risks,

capitalization and commercial viability and expectation regarding the receipt of permits and licenses, and

gold exploration and development costs and results.

<R>

We caution readers that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties. In fact, actual results might differ materially from those projected in the forward-looking statements as a result of various factors.

</R>

1

You should carefully consider and evaluate all of these factors. In addition, we do not undertake to update forward-looking statements after we file this registration statement with the Securities and Exchange Commission, even if new information, future events or other circumstances have made them incorrect or misleading.

Item 1. Description of Business

General

We, South American Minerals, Inc., are a holding company and all of our operations are conducted by our wholly-owned subsidiary, North American Resources, Inc. Ltd., a corporation organized under the laws of the Government of Guyana, South America (NARIL). All references in this registration statement to us include NARIL, unless the text specifically indicates otherwise.

<R>

We currently are an exploration stage company engaged in prospecting for alluvial placer gold on the Konawaruk River in Guyana, South America on our own behalf and on behalf of the Venture in which we currently hold a 65% interest (see The Cuyuni River Venture below). Alluvial placer gold is gold mineralization deposited by a body of water, that occurs in alluvial

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

gravel material (material produced by erosion of rock sources and deposited by water streams), usually deposited during recent geological time. For more detailed information about the properties in Guyana in which we hold certain claims, licenses and permits, see Part I. Item 3. Description of Property. We characterize ourselves as an exploration stage company and our activities as prospecting because we do not have any gold reserves. Under Securities and Exchange Commission guidelines, determination as to whether any of the properties in which we have rights contain such reserves requires us to have feasibility studies conducted on the properties that demonstrate the presence of reserves. We cannot assure that commercially viable mineral deposits exist on any of our properties or that our activities will result in profitable commercial mining operations. Further exploration will be required before a final evaluation as to the economic and legal feasibility is determined. Please see

Current and Planned Activities During The Next 12 Months below.

<R>

Our principal executive office is located at 76 Beaver Street Suite 2600, New York, New York. NARIL's operational offices are located at Lot 88 C D Barrack Street, Kingston, Georgetown, Republic Of Guyana.

Current and Planned Activities During The Next 12 Months

<R>

Although we have rights to a number of properties in Guyana, at the present time we are only extracting gold in one location on the Konawaruk River. For information about this and other properties, please see the discussion below and in Part I. Item 3.

Description of Property.

<R>

2

<R>

At present we are prospecting for alluvial placer gold in one location on the Konawaruk River in Guyana, South America. We currently own two gold dredging barges on our own behalf and the Venture in which we currently hold a 65% interest owns two gold dredging barges. At present we have two of these barges operating and we anticipate that a third barge will be back in operations by the end of January 2005. The fourth barge is under repair and we anticipate that it will be returned to service in late January or early February of 2005. During the next 12 months, provided we can obtain adequate financing, we hope to add a cutterhead dredge on the Konawaruk River. A cutterhead dredge is a dredge that employs hydraulic rotary suction. The cutter-head itself consists of a series of six indented steel plates that form a christmas-tree shaped drill-like structure that rotates at high speed in order to break any hardened portions of gravel. It gives us the ability to penetrate and operate below the cemented gravel layers (gravel deposits that underwent a cementation process with iron oxide) of the river. The current operating dredges are standard river suction dredges that, because of their age and use, are subject to frequent mechanical problems. From July 1999 to January 2004, we were prospecting on claims 1 through 5 (see the chart in see Part I. Item 3. Description of Property). Since January 2004, we have been dredging on concession 26, a 24.9 square mile stretch of river. We believe that we will be operating on this concession for the next five to eight years.

As noted above, we do not have any feasibility studies showing proven gold reserves on any of the properties in Guyana in which we hold certain claims, licenses and permits. To date, our prospecting operations have consisted of dredging the river and the river bank for gold. Where gold extracted in the river indicates that there is gold heading into the river banks, we clear the river bank of brush and overburden (loose soil, sand, gravel, etc. that lies above the gravel that potentially contains gold-bearing gravel) and excavate looking for gold mineralization gravel. Gold panners then make visual estimates of gold grades. If we find adequate gold mineralization in the riverbank, we continue dredging into the riverbank. At such point in time as we no longer find adequate gold mineralization, we move up river. See Dredging Operations below for a more detailed discussion of our activities. While this process has resulted in the extraction and sale of gold, it does not assure that such activities are economic or profitable (see Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations; Results of Operations), nor does it give us a basis for believing that we will continue to find and extract gold. If and when we obtain sufficient funding from prospecting activities, equity and/or debt financings, we may seek to have a feasibility study conducted on our river properties. Our consulting geologist has indicated that a feasibility study would cost approximately \$760,000; however, the cost could be less depending upon how much of the data currently available on our river properties can be utilized. At this time, our priority is keeping our current heavy equipment operating and obtaining a cutterhead dredge.

The Konawaruk River properties are our only river-based properties. During the next 12 months we do not have any plans with regard to our land based properties.

</R>

The Cuyuni River Venture

Pursuant to a January 27, 1999 agreement, as amended, we and NARIL entered into a Mining Joint Venture Agreement (the Venture Agreement) in the Republic of Guyana with Cuyuni River Venture No. 1, LLC, a Delaware limited liability company (Cuyuni LLC), to explore and mine gold and other precious metals (the Venture). NARIL is the managing member. Pursuant to the Venture agreement, we provide and select the properties, prospects and/or claims to be mined by the Venture. To the extent that we operate two or less barges in Guyana, all gold and other mineral deposits mined from such operations is owned by the Venture. To the extent that we operate more than two barges in Guyana, the gold and other mineral deposits mined from all such barges is aggregated together and the amount owned by the Venture is the quotient of two divided by the number of operating barges. The balance of the gold and other mineral deposits is owned by us. (See Part I. Item 3. Description of Property for a description of properties).

Originally, we owned a 75% interest and Cuyuni LLC owned a 25% interest in the Venture. As discussed below, the respective interests are now 65% and 35%. Cuyuni LLC contributed \$475,000 and we contributed \$105,000 to the Venture. These funds were used to purchase two large hydraulic suction barges; one small barge and a D8 caterpillar earth moving tractor; construct roads and a base camp; and accumulate geological data. In addition, Cuyuni LLC purchased 150,000 shares of our common stock for \$1.00 per share.

The initial term of the Venture is 10 years, at which time it terminates unless the parties agree to extend it or, if an independent geological report indicates that there is sufficient mining opportunity to continue commercial production, Cuyuni LLC has the right to extend the Venture.

Cuyuni LLC was to receive a guaranteed return on its 25% interest of \$250,000 a year for two years from commencement of dredging operations (deemed to be September 1999). On November 21, 2000, the parties agreed that for the year ending December 31, 2000 this requirement was satisfied by issuance to Cuyuni LLC of an additional 150,000 shares of our common stock, and cash payments of \$38,000 of which, \$20,000 was provided by the Venture and \$18,000 by us. In February 2002, the parties agreed that, for the year ending December 31, 2001, this requirement was satisfied by issuance to Cuyuni LLC of an additional 300,000 shares of our common stock and by increasing Cuyuni LLC's interest in the Venture to 35% and decreasing our interest to 65%.

In March 2003, Cuyuni LLC received 60,000 shares of our common stock in payment of its share of distributions (\$9,000) from the Venture for 2002.

<R>

For the year ended December 31, 2003, we owe Cuyuni LLC \$43,694 Of which \$5,000 has been paid to date.

</R>

Guyana

Guyana is located on the northeast coast of South America and is bordered by Suriname to the east, Brazil to the south and west, and Venezuela to the northwest. It has a surface area of approximately 215,000 square kilometers or 83,000 square miles with a population of approximately 825,000. The official language is English and the climate is tropical.

Guyana is now a democratic republic. A former Crown colony which gained independence in 1966, and then became a co-operative Republic in 1970, Guyana is a parliamentary democracy with an elected President. 65 member legislative

assembly, and an independent judiciary. Its legal system is based on the British common law, except in land matters which are based on Roman-Dutch law.

<R>

There is a 35% corporate tax rate in Guyana. A Consumption tax of 10% to 100% on many goods does not apply to most exploration and mining equipment. NARIL is permitted under Guyana law to offset 100% of its taxable income against net operating losses. A 6.25% foreign dividends tax may be offset dollar for dollar by exploration expenses on other properties. In addition, a royalty of from 3% to 5% of the value of the gold sold is payable to the Government of Guyana on the value of all gold extracted. See Royalties in Part I. Item 3. Description of Property. below.

</R>

The Guiana Shield, which underlies eastern Venezuela, most of Guyana, Suriname, French Guiana and the northern portion of Brazil, is considered to have potential in renewable natural resources (hydro-electric energy and timber) and minerals (similar to the shields of Canada, South Africa and Northern Scandinavia). Mineral resources of the Guiana Shield include precious metals (gold, platinum and silver), diamonds, metals that form iron-based alloys (including manganese, nickel, chromium, titanium, cobalt and niobium) and non-ferrous metals (including copper, zinc, cadmium and tin).

<R>

There are certain business and political risks inherent in doing business in developing countries. In particular, the regulatory framework for conducting mining and exploration activities in these countries, including the tax and general fiscal regimes and the manner in which rights and title to mineral properties are established and maintained, may be uncertain, incomplete, in a state of flux or subject to change without notice. Even where, as in Guyana, there are established frameworks, they are administered by government functionaries who may not adhere to the strict letter of the law. This could lead to litigation to correct administrative errors. (See Item 1. Business. Risk Factors; Our property interests in Guyana are subject to the risks of doing business in foreign countries.)

</R>

Acquisition of Mineral Rights of Guyana

<R>

In Guyana all mineral rights are vested in the state. The Prime Minister is the Minister responsible for minerals. Grants of rights are issued by the Guyana Geology and Mines Commission (the GGMC) after the approval of the Prime Minister. The GGMC is the agency with responsibility for applying and enforcing the Mining Act and its regulations. The Commissioner of the GGMC reports directly to the Prime Minister. The Guyana Gold Board (the GGB) was created by the Guyana Gold Board Act (the Gold Act) in 1981. By law, the GGB is the only body that may buy or sell gold both within or outside Guyana, with one notable exception. The Gold Act makes provision for private traders to be licensed to buy and sell gold within Guyana, as well as to export it. Foreign companies operating in the gold sector are required to sell to the GGB at the world spot price, less the royalty payable to the State of Guyana, that portion of gold required to meet all of their local current obligations, including Guyanese taxes. Any surplus may be exported once the requisite license is obtained. NARIL would be eligible to be issued a license, but the Directors do not regard this as feasible at the present time because, as stated above, the GGB purchases gold produced at the world spot price, less a royalty (currently 5%). Accordingly, all of our gold sales are made exclusively to the GGB.

</R>

The procedure for exploration and mining in Guyana by foreign companies is streamlined. The GGMC is the agency responsible for negotiating and entering into agreements with foreign companies. A foreign company can explore in Guyana without first forming a local company. Before mining can start, however, a Guyanese company has to be formed. The local company then applies for a mining license. The GGMC, with the approval of the President, may grant a mining license for property containing an ore body for up to 20 years or the life of the deposit, whichever is shorter. The continuation of the mining license is conditional on payment of annual land rentals and adequate work progress. Inspections are made and progress reports are required.

Application for Mineral Properties in Guyana and our Licensed Properties

Prospecting/Mining Permits.

The GGMC is the statutory body that processes all applications for mineral properties in Guyana. The Mining Act, 1989 provides for three scales of operation:

- (i) **Claims** (small scale). Land claims having dimensions of 1,500 ft. x 800 ft. and river claims consisting of one mile of a river along with 66 ft. of each bank. Under the Mining Act, claims are reserved for local miners (who are presumed to have limited capital and resources) and must be held in the names of Guyanese citizens. These are non-transferable. However, the law and the GGMC recognize joint ventures whereby the citizen is the claimholder and engages the foreign company under an exclusive irrevocable license to carry out prospecting and mining operations on his behalf. We have the right to work five small claims; however, we are not working these claims at the moment.
- (ii) **Prospecting and Mining Permits** (medium scale). Prospecting permits are referred to as PPMS (prospecting permits medium scale). These are issued for areas between 150 and 1,200 acres each. The Mining Act also reserves these for Guyanese citizens, so foreign companies must create joint ventures as described above. Our properties at Meamu, Mowasi and New Cuyuni are all PPMS. We are not working these properties at the moment. A miner may upgrade a PPMS to a MPMS (mining permit medium scale). This involves the filing of a performance bond in \$200,000 GYD (approximately \$1,000 USD at the current exchange rate) per permit with the GGMC. On obtaining an MPMS a miner must file an Annual Report on work done on the property each year.

6

- (iii) **Mining Permits** (large scale). These are issued for areas that are 500 acres or greater. The Mining Act permits foreign companies to hold areas under large scale mining permits. The rationale is that local miners will not have the capital and resources to develop these areas. On application, the GGMC grants Permissions for Geological and Geophysical Surveys and mapping. These are reconnaissance surveys over large acreages with the objective of applying for prospecting, and later mining, licenses over favorable ground selected on the basis of results obtained from the aerial and field reconnaissance surveys. We have neither applied for nor been granted any permits of this type.

Prospecting and Mining

Under the Mining Act, at the smallest scale, permission to carry on prospecting and mining activities is very rudimentary. The scale and level of complexity increases as the scale of operation becomes larger, and obtaining grants of permission requires very complex types of documentation at the largest scale.

Claims (small scale). All the claimholder must do is to purchase a prospecting license from the GGMC by payment of the statutory fee. He then locates the claim, has it verified, and is issued a claim-license. Once he has the claim-license, mining operations can begin. At this level as compared to medium and large scale there is no need to first prospect the area before upgrading to a mining license.

Medium scale properties. Medium scale properties require one to apply for a PPMS by submitting a standard form application and a surveyor's description of the area. The initial term of the PPMS is three years from its date of issue, and it is renewable annually. Once the PPMS is issued, prospecting operations may be carried on. The GGMC renews the PPMS once the requisite fee is paid. Once the prospecting program is completed, the results are used to apply for a MPMS. As stated above, this involves lodging a Performance bond. MPMS are granted for twenty years or the life of the deposit, whichever is the sooner. They are also renewable. Annual Reports of work done on the property must be filed with the GGMC.

Frequently, companies carry on actual mining under PPMS as it is not always clear where prospecting operations stop and mining begins. This is well known to the GGMC. Miners merely renew their PPMS annually for the life of the deposit. One reason for this is that the fee for the MPMS is substantially greater than the fee for a PPMS. Failure by the GGMC to strictly enforce the Mining Act, however, does not constitute a waiver or relaxation of the statutory provisions, and a PPMS or MPMS may be forfeited at any time for non-compliance.

Large scale properties. Large scale properties require application for a license to carry out Geological and Geophysical Surveys and mapping. The results of these are used for applications for mining licenses large scale. These necessarily involve a great degree of documentation and are quite complex. As stated above, we have none of these.

7

<R>

All but one of our river claims and most of our land claims are small scale claims or medium scale properties. One of our river locations, the one that we are currently operating on, is a mining concession granted under the previous Mining Act. Mining of Small Scale Claims and our one mining concession is permitted without the necessity of obtaining a separate mining license.

However, mining of Medium Scale Properties requires a MPMS.

</R>

Factors Affecting Operations in Guyana.

<R>

Our operations in Guyana are affected by local conditions such as prevalence of serious disease at dredging sites such as malaria and dengue fever; security concerns; increases in prices for fuel used by dredging and earth moving equipment; import taxes and duties on fuel, equipment and spare parts; unavailability of equipment and spare parts locally, the rainy season (from May to June and from December to January) and drought periods, all of which have resulted in interruption of operations in the past. See Business Dredging Operations.

</R>

Dredging Operations

<R>

We dredge the river and riverbank with standard hydraulic suction dredges. At present, we have four standard hydraulic suction dredges and three hydraulic tailings bailors. The standard dredges that we employ are approximately 12 x 24 meters and are mounted on six pontoons. The hydraulic tailings Bailors are about 1/3 of the size of the dredges and are mounted on two pontoons. The dredges are used to extract sand and gravel that contains gold mineralization. The tailings bailors follow the dredges and are used to disperse the debris (the tailings) from the dredging operation.

A 14-inch steel pipe is inserted into the river from the Dredge. Utilizing a suction motor, the pipe sucks up the riverbed. The capacity of suction varies from 30 to 50 cubic meters of solids, and the pulp density varies from 10 to 50% solids. The material is thrown over a fixed grizzly (a metal device used to separate gold bearing gravels). A sluice box with carpets is placed below the fixed grizzly in order to concentrate free gold. A sluice box is a long, inclined trough containing slats in the bottom that provide a lodging place for heavy minerals in ore concentration. The sluice box is washed at regular periods of time, usually every one to two days of continuous operation.

The concentrates generated in the sluice box are placed in steel boxes (jig boxes). Mercury is then placed in the jig box and agitated with the use of an electric motor with rubber pads. As a result, the mercury collects the gold and separates from the residual material (black sand). The black sand is removed and the mercury and gold are placed in a retort (chemical recovery system). The retort is heated, vaporizing the mercury. The mercury vapor passes through a water-cooled condensing tube and exits sub-aqueously as liquid mercury into a collecting tray. The resulting gold is reasonably pure and only residual mercury is left.

</R>

8

<R>

The gold is stored in secure boxes prior to shipment to Georgetown. Heavily armed security guards always accompany gold

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

shipments until they reach their final destination. Special arrangements can be obtained for shipment and sales overseas.

Powerful diesel engines with 234 to 290hp move all of the dredges main and ancillary equipment. The ancillary equipment consists of welding machines, power tools and living quarters appliances.

Permanent crews of four to five men plus a cook will operate the entire dredge usually on four-hour shifts with two men at a time. Living quarters are built inland near the dredging ground.

Riverbank dredging operations are conducted using a pond dredging system. The pond dredging system temporarily diverts the river to permit mining of the riverbanks. When gold found in river dredging indicates that gold may be found in the riverbank, we clear the river bank of brush and overburden (loose soil, sand, gravel, etc. that lies above the gravel that potentially contains gold-bearing gravel) and excavate looking for gold mineralization gravel. Gold panners then make visual estimates of gold grades. If we find adequate gold mineralization in the riverbank, we continue dredging into the riverbank. The dredges suck the river bottom near the riverbank causing the riverbank to cave into the river. Then, the riverbank materials are sucked through the dredges. By this process, the dredges form a pond. The discarded dredged river bottom materials are utilized to create dams (tailing dams). The tailing dams serve two purposes, they store the discarded materials so the dredges can continue to dredge and they divert some of the river into the pond created by the dredging operation thereby providing clean water for the mineral recovery process.

Mined-out site reclamation consists of channel restoration.

During the next 12 months, provided that we can obtain adequate financing, we plan to purchase or construct a cutterhead dredge (see Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations; Liquidity and Capital Resources). A cutterhead dredge is a dredge that employs hydraulic rotary suction. The cutter-head itself consists of a series of six indented steel plates that form a christmas-tree shaped drill-like structure that rotates at high speed in order to break any hardened portions of gravel. A cutterhead dredge would take over the majority of work now performed by our aging standard suction dredges and give us the ability to penetrate and operate below the cemented gravel layers (gravel deposits that underwent a cementation process with iron oxide) of the river. We believe that this will make river bank pond dredging more efficient too.

</R>

Economics of alluvial mining compared to hard rock mining:

Alluvial mining operations are conducted in unconsolidated materials, which were transported by a watercourse and deposited usually in creeks or river channels. These alluvial deposits contain free metallic gold particles that resulted from the continued weathering of the primary rock source over prolonged periods of time. Free gold usually occurs in the gravel layers of the alluvial deposits, and usually does not require the use of crushing or milling facilities.

9

Alluvial mining operations require significantly lower start-up capital compared to hard rock mining, due to the simplicity of the required mining equipment. In addition, the required recovery plants for alluvial operations are much simpler and highly mobile, which enables their use in more than one project, requiring small modifications. Start-up time is much shorter compared to hard rock mining operations, with cash flow obtained almost immediately. Most importantly, operational costs of alluvial mining operations are generally lower than hard rock mining.

Environmental Regulations

The Government of Guyana is currently proposing an amendment to its Mining Regulations which is intended to deal primarily with environmental matters relating to mining operations such as those conducted by us. While we have not been advised of any violations of any current regulations, it is possible that, in the future, we may be required to address matters which may be included in any such new regulations if they become law. These matters are expected to deal with use of poisonous substances, management of the environment, establishment of protected areas where mining is prohibited or limited, and pollution control. Penalties for violation of any such regulations may include fines and imprisonment for violators. If our activities violate any of these regulations our operations may be materially adversely affected, making our continued operations economically unfeasible. We use mercury during our final recovery process. Under Guyanese environmental regulations, we are required to

utilize a retort (chemical recovery) system. We utilize such a system. The GGMC inspects our facilities for compliance with these regulations.

Competition

<R>

We will compete with major mining companies and other natural resource companies in the acquisition, exploration, financing and development of prospects. Most of these companies are more experienced, larger and better capitalized than us. Our competitive position depends upon our ability to successfully and economically explore, acquire and develop new and existing mineral prospects. Factors which allow producers to remain competitive in the market over the long term are cost of operations and proximity to market.

</R>

Employees

<R>

As of January 13, 2005, we had approximately 58 employees consisting of eight office staff, approximately 40 dredging related workers and 10 security personnel.

</R>

Risk Factors

Our business operations and our securities are subject to a number of substantial risks, including those described below. If any of these or other risks actually occur, our business, financial condition and operating results, as well as the trading price or value of our securities could be materially adversely affected.

Risks related to our operations

<R>

We have a history of operating losses and we anticipate losses and negative cash flow for the near future. We cannot predict if or when operations will become profitable.

Although we generated \$1,086,342 in revenues during the nine months ended September 30, 2004, \$1,192,779 in revenues during the year ended December 31, 2003 and \$959,960 during the year ended December 31, 2002, we realized losses during the nine months ended September 30, 2004 of \$326,200 and losses during the two years ended December 31, 2003 and 2002 of \$295,273 and \$416,060, respectively. As of September 30, 2004, our accumulated deficit was \$6,394,866. To become profitable, we believe that we will need to get more and newer dredges into operations, locate areas containing higher values of gold and/or increase the operating times for the dredges. To date the dredges have only operated approximately 60% of the available time. In January 2004 we moved our dredging location to concession 26 and, between July 2004 and September 2004, our gold production increased compared to prior periods. Gold production decreased significantly in October and has varied in November and December due to breakage and repair issues with our aged heavy equipment. We do not know if or when we will achieve profitable operations.

We are an Exploration Stage Company and the properties in which we have an interest are without gold reserves or other mineral reserves. If these properties do not contain adequate amounts of gold that is economically extractable, we most likely will not be able to establish a profitable commercial mining operation and will have to cease operations.

The mineral properties in which we have an interest or right are in the exploration stages and are without reserves of gold or other minerals. Although we have been extracting and selling gold from the Konawaruk River pursuant to our prospecting activities, we do not have any feasibility studies with regard to gold reserves at these locations and, thus, do not have an assured supply of gold. We do not know whether current or proposed exploration on our claims or properties in which we have an interest will result in the discovery of gold mineralization or reserves. We also do not know how long we will be able to

conduct prospecting activities. If these properties do not contain adequate amounts of gold that is economically extractable, we most likely will not be able to establish a profitable commercial mining operation and will have to cease operations.

</R>

Our audited consolidated financial statements contain a going concern explanatory paragraph. Our inability to continue as a going concern would require a restatement of assets and liabilities on a liquidation basis, which would differ materially and adversely from the going concern basis on which our consolidated financial statements included in this report have been prepared.

Our consolidated financial statements for the year ended December 31, 2003 included herein have been prepared on the basis of accounting principles applicable to a going concern. Our auditors' report on the financial statements includes an additional explanatory paragraph following the opinion paragraph on our ability to continue as a going concern. Note 3 to these financial statements describes the reasons why there is substantial doubt about our ability to continue as a going concern and our plans to address this issue. Our December 31, 2003 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our inability to continue as a going concern would require a restatement of assets and liabilities on a liquidation basis, which would differ materially and adversely from the going concern basis on which our consolidated financial statements have been prepared.

All of our assets are pledged as security under a debenture that is payable on demand. If we are unable to repay the debenture, we could lose all of our assets and our business operations would be materially and adversely affected.

<R>

We have pledged all of our assets to secure repayment of loans pursuant to a debenture that is payable on demand. As of December 31, 2004, the outstanding balance on these loans was approximately \$74,990 U.S. Please see Part I. Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations; Liquidity and Capital Resources for more information about this loan. In the event that the Bank makes demand for repayment or NARIL defaults under the debenture and NARIL is unable to repay the loan, the debenture holder is empowered to take possession of and operate or sell NARIL's assets or appoint a receiver to take such action. In such an event, our business operations would be materially and adversely affected.

We most likely will require additional funding which may not be available. If we are unable to obtain necessary financing on acceptable terms, we may have to curtail our current or planned operations.

We most likely will require additional funding to increase our current operations, primarily to acquire additional an additional dredge and heavy equipment. Our current equipment is aging and often in need of repair. In addition, after we obtain the foregoing equipment, we may seek to have a feasibility study conducted on our river properties. We also will need funding to explore our other properties and acquire new properties. We may seek to obtain such funding for these activities through equity or debt financing, joint ventures or from other sources. There can be no assurances that we will be able to raise adequate funds, if required, on acceptable terms from these or other sources, which may hinder us from continuing or expanding our operations.

</R>

Operational hazards and responsibilities could adversely affect our operations

Our activities are subject to a number of risks and hazards including:

environmental hazards,

industrial accidents,

labor disputes,
unusual or unexpected geological or operating conditions,
changes in the regulatory environment,
natural phenomena such as inclement weather conditions, floods and earthquakes and
other hazards

These occurrences could result in damage to, or destruction of, mineral properties or production equipment, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. We may incur liability as a result of pollution and other casualties. See the next risk factor.

We are not insured against any losses or liabilities that could arise from our operations either because insurance is unavailable or because the premium cost is excessive. The payment of such liabilities could have a material adverse effect on our financial position and, depending on the extent of such liability, could result in the total loss of our assets and operations.

<R>

Exploration for gold involves hazards, which could result in our incurring substantial losses and liabilities to third parties for pollution, accidents and other hazards. We are not insured against any losses or liabilities that could arise from our operations either because insurance is unavailable or because the premium cost is excessive. If we incur uninsured losses or liabilities, the funds available for exploration will be reduced and our assets may be jeopardized. The payment of such liabilities may have a material adverse effect on our financial position and, depending on the extent of such liability, could result in the total loss of our assets and operations.

Our ability to discover viable and economic mineral reserves is subject to numerous factors, most of which are beyond our control and are not predictable. If we are unable to discover such reserves, we most likely will not be able to establish a profitable commercial mining operation.

</R>

Exploration for gold is speculative in nature, involves many risks and is frequently unsuccessful. Few properties that are explored are ultimately developed into commercially producing mines. Our long-term profitability will be, in part, directly related to the cost and success of exploration programs. Any gold exploration program entails risks relating to

the location of economic ore bodies,
development of appropriate metallurgical processes,
receipt of necessary governmental approvals and
if land based, construction of mining and processing facilities at any site chosen for mining.

The commercial viability of a mineral deposit is dependent on a number of factors including:

the price of gold,
exchange rates,
the particular attributes of the deposit, such as its
size,
grade and

proximity to infrastructure,

financing costs,

taxation,

royalties,

land tenure,

land use,

water use,

<R>

availability and cost of power source,

</R>

importing and exporting gold and

environmental protection.

The effect of these factors cannot be accurately predicted.

<R></R>

Our ability to become and remain profitable, should we become profitable, will be dependent on our ability to find, explore, develop and mine additional properties. There is intense competition for the acquisition of gold properties. If we are unable to accomplish this, we most likely will not be able to be profitable on a long-term basis.

Gold properties eventually become depleted or uneconomical to continue mining. As a result, our long-term success is dependent on our ability to acquire, explore, develop and mine new properties. The acquisition of gold properties and their exploration and development are subject to intense competition. Companies with greater financial resources, larger staffs, more experience and more equipment for exploration and development may be in a better position than us to compete for such mineral properties. If we are unable to find, develop and economically mine new properties, we most likely will not be able to be profitable on a long-term basis.

<R>

Our property interests are in Guyana. Risks of doing business in a foreign country could adversely affect our results of operations and financial condition.

</R>

We face risks normally associated with any conduct of business in foreign countries, including various levels of political and economic risk. The occurrence of one or more of these events could have a material adverse impact on our current and future operations which, in turn, could have a material adverse impact on our future cash flows, earnings, results of operations and financial condition. These risks include the following:

<R>

prevalence of serious diseases at the dredging sites,

security concerns,

adverse weather such as the rainy season,

</R>

labor disputes,
uncertain or unpredictable political and economic environments,
war and civil disturbances,
changes in laws or policies,
mining policies,
monetary policies
unlinking of rates of exchange to world market prices,
environmental regulations,
labor relations,
return of capital,
taxation,
delays in obtaining or the inability to obtain necessary governmental permits,
governmental seizure of land or mining claims,
limitations on ownership,
institution of laws requiring repatriation of earnings,
increased financial costs,
import and export regulations and
institution of foreign exchange controls.

<R>

Any such changes may affect our current prospecting operations and ability to undertake exploration activities in respect of present and future properties in the manner currently contemplated, as well as our ability to explore and eventually develop and operate those properties in which we have an interest or in respect of which we have obtained exploration rights to date. Certain changes could result in the taking of property by nationalization or expropriation without fair compensation.

There are uncertainties as to title matters in the mining industry. Any defects in such title that cause us to lose our rights in mineral properties could jeopardize our business operations.

There are uncertainties as to title matters in the mining industry. If the title to or our rights of ownership in our properties, prospects and/or claims are challenged or impugned by third parties, or the properties, prospects and/or claims in which we have an interest are subject to prior transfers or claims, such title defects could cause us to lose our rights in such properties. Past recordkeeping practices in Guyana have not been meticulous. If we lose our rights in and to our mineral properties our business operations could be jeopardized.

</R>

<R>

Our current and planned operations require permits and licenses from various governmental authorities. If we are unable to obtain and maintain requisite permits, licenses and approvals, our business operations and ability to become profitable may be adversely affected.

Our current and planned operations require permits and licenses from various governmental authorities. Such permits and licenses are subject to change in regulations and in various operating circumstances. We cannot assure that we will be able to obtain or maintain in force all necessary permits and licenses that may be required to conduct exploration or commence construction or operation of mining facilities at properties to be explored or to maintain continued operations at economically justifiable costs. Further, many of our mineral rights and interests are subject to government approvals. In all such cases such approvals are, as a practical matter, subject to the discretion of the Guyana government or governmental officials. No assurance can be given that we will be successful in obtaining any or all of such approvals. Our inability to obtain and maintain requisite permits, licenses and approvals could materially and adversely affect our operations and ability to become profitable.

</R>

Gold prices can fluctuate on a material and frequent basis due to numerous factors beyond our control. Our ability to generate profits from operations could be materially and adversely affected by such fluctuating prices.

<R>

The profitability of our current prospecting operations and future gold mining operations are significantly affected by changes in the market price of gold. Between January 1, 2004 and December 30, 2004, the fixed price for gold on the London Exchange has fluctuated between \$373 and \$455 per ounce. Gold prices fluctuate on a daily basis and are affected by numerous factors beyond our control, including:

</R>

the level of interest rates,

the rate of inflation,

central bank sales and

world supply of gold.

Each of these factors can cause significant fluctuations in gold prices. Such external factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of gold has historically fluctuated widely and, depending on the price of gold, revenues from mining operations may not be sufficient to offset the costs of such operations.

Gold is sold in Guyana in U.S. and Guyana dollars and we incur a significant amount of our expenses in Guyana dollars. If applicable currency exchange rates fluctuate our revenues and results of operations may be materially and adversely affected.

We sell gold to the Guyana Gold Board in both Guyana and U.S. dollars and we incur a significant amount of our expenses in Guyana dollars. As a result, our financial performance is affected by fluctuations in the value of the Guyana dollar to the U.S. dollar. At the present time, we have no plan or policy to utilize forward contracts or currency options to minimize this exposure, and even if these measures are implemented there can be no assurance that such arrangements will be available, be cost effective or be able to fully offset such future currency risks.

<R>

The loss of Mr. Hassan would likely have an adverse effect on our continued operations.

Our success depends to a great extent upon the continued successful performance of Dean Hassan, President of our Guyana subsidiary and one of our directors. Although we employ, and will likely employ in the future additional qualified employees as well as retaining consultants having experience in mining operations, if Mr. Hassan is unable to perform his duties for any reason, our ability to operate in Guyana will be materially adversely effected. We do not have a key man life insurance policy on the life of Mr. Hassan.

</R>

Risks related to ownership of our stock

<R>

There is a limited market for our common stock. If a substantial and sustained market for our common stock does not develop, our stockholders may have difficulty selling, or be unable to sell, their shares.

Our common stock is tradable in the over-the-counter market and is quoted on the Pink Sheets. There is only a limited market for our common stock and there can be no assurance that this market will be maintained or broadened. If a substantial and sustained market for our common stock does not develop, our stockholders may have difficulty selling, or be unable to sell, their shares.

Our Common Stock was quoted on the OTC Bulletin Board until it was removed as a result of the 1999 amendments requiring companies to report their current financial information to the Securities and Exchange Commission as a condition to continuing to have their securities quoted on the OTC Bulletin Board. We have filed this registration statement to register our common stock under the Securities Exchange Act of 1934 to meet the current requirements for quotation on the OTC Bulletin Board. Our stock can be quoted on the OTC Bulletin Board again if, and only if:

the Securities and Exchange Commission has no further substantive comments on our registration statement and

a broker-dealer files a form 211 with the NASD to permit our common stock to be quoted on the OTC Bulletin Board and the broker is granted the right to quote our stock.

As of the date of this registration statement, we do not have a broker-dealer willing to list our common stock on the OTC Bulletin Board.

</R>

17

Substantial Sales of our common stock could cause stock price to fall.

<R>

As of January 6, 2005, we had outstanding 14,152,709 shares of common stock of which approximately 9,589,509 shares were restricted securities as that term is defined under Rule 144 promulgated under the Securities Act of 1933. These restricted shares are eligible for sale under Rule 144 at various times; however, approximately 5,607,934 of these shares are currently eligible for sale under Rule 144. No prediction can be made as to the effect, if any, that sales of shares of common stock or the availability of such shares for sale will have on the market prices prevailing from time to time. Nevertheless, the possibility that substantial amounts of our common stock may be sold in the public market may adversely affect prevailing market prices for the common stock and could impair our ability to raise capital through the sale of our equity securities.

We have a significant number of shares authorized but unissued. These shares may be issued without stockholder approval. Significant issuances of stock would further dilute the percentage ownership of our current stockholders and would likely have an adverse impact on the market price of the Common Stock.

As of January 6, 2005, we have an aggregate of 11,447,291 shares of Common Stock authorized, but unissued and not reserved for issuance for specific purposes. All of such shares of Common Stock may be issued without any action or approval by our stockholders. Any shares issued would further dilute the percentage ownership of our current stockholders and would likely have an adverse impact on the market price of the Common Stock.

</R>

We do not intend to pay dividends in the near future.

<R>

Our board of directors determines whether to pay dividends on our issued and outstanding shares. The declaration of dividends will depend upon our future earnings, our capital requirements, our financial condition and other relevant factors. Our board does not intend to declare any dividends on our shares for the foreseeable future. We anticipate that we will retain any earnings to finance the growth of our business and for general corporate purposes.

Our common stock currently is a penny stock. As a result, trading of our shares is subject to special requirements that could impede our stockholders' ability to resell their shares.

</R>

Our common stock is a penny stock as that term is defined in Rule 3a51-1 of the Securities and Exchange Commission because it is selling at a price below five dollars per share. In the future, if we are unable to list our common stock on NASDAQ or a national securities exchange or the per share sale price is not at least \$5.00, our common stock may continue to be deemed to be a penny stock. Penny stocks are stocks:

- i. with a price of less than five dollars per share;
- ii. that are not traded on a recognized national exchange;
- iii. whose prices are not quoted on the NASDAQ automated quotation system; or
- iv. of issuers with net tangible assets equal to or less than

18

-\$2,000,000 if the issuer has been in continuous operation for at least three years; or

-\$5,000,000 if in continuous operation for less than three years, or

of issuers with average revenues of less than \$6,000,000 for the last three years.

Section 15(g) of the Exchange Act, and Rule 15g-2 of the Securities and Exchange Commission, require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. Moreover, Rule 15g-9 of the Securities and Exchange Commission requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer:

- i. to obtain from the investor information concerning his or her financial situation, investment experience and investment objectives;
- ii. to determine reasonably, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions;
- iii. to provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and
- iv. to receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives.

Compliance with these requirements may make it more difficult for holders of our common stock to resell their shares to third parties or to otherwise dispose of them.

Our Corporate History

We were incorporated on July 27, 1967 in Nevada under the name Silver Resources, Incorporated. We were organized for the purpose of exploring, developing and mining mineral properties.

In December 1968, we completed a public offering pursuant to an exemption provided by Regulation A under the Securities Act of 1933 and raised gross proceeds of \$300,000. Thereafter, we engaged in exploration for natural resources in the States of Arizona and Nevada but were unable to locate any economically viable property and, in 1984, we ceased material operations.

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

In July 1996, we acquired NARIL, at which time, NARIL's owners became our officers and directors and we changed our name to South American Minerals, Inc.

19

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

<R>

In this section, we explain our consolidated financial condition and results of operations for the year ended December 31, 2003 and December 31, 2002 and the nine months ended September 30, 2004 and 2003. As you read this section, you may find it helpful to refer to our Consolidated Financial Statements at the end of this registration statement.

</R>

Selected Financial Data

<R>

The selected financial data set forth below with respect to our consolidated statements of operations for the fiscal year in the period ended December 31, 2003 and with respect to the consolidated balance sheet as at December 31, 2003, are derived from our audited consolidated financial statements included at the end of this registration statement. The selected financial data set forth below with respect to our consolidated statements of operations for the fiscal year in the period ended December 31, 2002 and with respect to the consolidated balance sheet as at December 31, 2002, are derived from our unaudited consolidated financial statements included at the end of this registration statement. The consolidated balance sheet data as of September 30, 2004 and consolidated statements of operations data for the nine months ended September 30, 2004 and September 30, 2003 are derived from our unaudited interim consolidated financial statements also included at the end of this registration statement. The unaudited consolidated financial statements as of and for the nine months ended September 30, 2004 reflect all adjustments which, in our opinion, are necessary for a fair presentation of our results of operations and our financial position. You should read the following selected financial data in conjunction with our consolidated financial statements and the notes thereto.

</R>

<R>

	Year Ended December 31,		Nine Months Ended September 30,	
	2003	2002	2004	2003
	(unaudited)		(unaudited)	
Operations Data				
<i>Sales</i>	\$ 1,136,898	\$ 959,832	\$ 1,085,891	\$ 773,201
<i>Other Revenue</i>	\$ 55,881	\$ 128	\$ 451	\$ 60,351
<i>Total Revenues</i>	\$ 1,192,779	\$ 959,960	\$ 1,086,342	\$ 833,552
 <i>Royalties</i>	\$ 51,317	\$ 41,465	\$ 54,569	\$ 38,660
 <i>Mining expenses</i>	\$ 807,475	\$ 831,619	\$ 788,422	\$ 555,141
 General and administrative	\$ 462,186	\$ 368,944	\$ 468,192	\$ 366,873

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

<i>Depreciation & Amortization</i>	\$ 87,275	\$ 104,786	\$ 59,378	\$ 66,439
<i>Net (loss)</i>	\$ (295,273)	\$ (416,060)	\$ (326,200)	\$ (191,223)
<i>Cash Flows Data</i>				
Net cash (used) in operations	\$ (108,418)	\$ (171,755)	\$ (93,291)	\$ (177,781)
Net cash provided (used) by investing activities	\$ (40,999)	\$ (2,822)	\$ (15,056)	\$ 60,895
Net cash from financing activities	\$ 153,931	\$ 116,195	\$ 159,309	\$ 44,385
Effects of exchange rates on cash	\$ (19,474)	\$ 58,761	\$ 12,230	\$ 89,348
Net increase (decrease) in cash	\$ (14,960)	\$ 379	\$ 63,192	\$ 16,847
<i>Balance Sheet Data</i>				
Cash	\$ 3,456	\$ 18,416	\$ 66,648	\$ 35,263
Total current assets	\$ 23,425	\$ 16,823	\$ 160,326	\$ 79,208
Equipment (net)	\$ 374,067	\$ 366,944	\$ 321,020	\$ 293,909
<i>Total Assets</i>	\$ 398,116	\$ 409,479	\$ 481,346	\$ 373,741
<i>Total current liabilities</i>	\$ 995,292	\$ 826,955	\$ 1,135,264	\$ 883,692
<i>Stockholders' equity (deficiency)</i>	\$ (488,260)	\$ (417,476)	\$ (557,699)	\$ (560,333)

</R>

20

To date, our principal operations have been conducted in Guyana. Our revenues are earned in Guyana dollars and a good portion of our expenses are incurred in Guyana dollars. Our financial statements have been conformed to US GAAP and presented in US dollars for purposes of this registration statement. The rates of exchange between the Guyana dollar and U.S. dollar set out below were used to convert the various financial statement balances from Guyana dollars to U.S. dollars. In the following tables we set forth:

the rates of exchange for the U.S. dollar, expressed in Guyana dollars (GD), in effect at the end of each of the periods indicated;

the average of the exchange rates in effect during such periods

<R>

Nine Months ending September 30

	2004	2003
Rate at end of Period	200.00GD	195.25GD

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

Average Rate During Period	<u>199.38GD</u>	<u>194.61GD</u>
	Years ending December 31	
	2003	2002
Rate at end of Period	194.25GD	191.75GD
Average Rate During Period	195.50GD	191.75GD

21

Results of Operations

<R>

Nine months ended September 30, 2004 compared to the nine months ended September 30, 2003

</R>

Revenues

<R>

We generated approximately \$1,085,000 in sales from prospecting operations during the nine months ended September 30, 2004 compared to approximately \$773,200 for the nine months ended September 30, 2003, an increase of approximately \$312,700 (approximately 40.4%). This increase is primarily due to an increase in the price of gold. We generated interest income during the nine months ended September 30, 2004 of approximately \$500 compared to approximately \$100 for the nine months ended September 30, 2003. We also recognized the gain on the sale of a dredge of approximately \$57,300 during the nine months ended September 30, 2003.

</R>

Cost and Expenses

<R>

Overall cost and expense during the nine months ended September 30, 2004 (\$1,396,100) increased \$339,500, approximately 32.1%, from the nine months ended September 30, 2003 (\$1,056,600), primarily due to increases in prospecting expenses and general and administrative expenses.

Prospecting expenses for the nine months ended September 30, 2004 (\$788,400) increased by approximately \$233,300 from the nine months ended September 30, 2003 (\$555,100) (approximately 42.0%). This increase is primarily due to increases in fuel (\$21,000), spare parts and equipment maintenance (\$53,000), labor (\$10,000) and miscellaneous mine camp expenses (\$28,000). Over the past year, diesel fuel prices have increased by approximately 43%.

Selling, general and administrative expense during the nine months ended September 30, 2004 (\$468,200) increased by \$101,300 (approximately 27.6%) from the nine months ended September 30, 2003 (\$366,900). This increase was primarily due to an increase in wages and consulting fees.

Stock based compensation included in selling, general and administrative expense was \$61,350 for the nine months ended September 30, 2004 compared to 0 for the nine months ended September 30, 2003.

</R>

Effects of Exchange Rates on Cash

<R>

The reporting currency for our financial statements is the United States dollar. The functional currency for our operating subsidiary is the Guyana dollars. Accordingly, the assets and liabilities of the subsidiary are included in the financial statements by translating them from Guyana dollars to United States dollars at the exchange rates applicable at the end of reporting period. Revenues are in U.S. and Guyana dollars. Revenues in Guyana dollars and expenses are translated from Guyana dollars to United States dollars at the average monthly exchange rates during the year. Translation gains and losses are accumulated as a separate component of stockholders' equity. During the nine months ended September 30, 2004, we recorded translation losses of \$22,738 compared to the \$3,707 in translation losses we recorded during the nine months ended September 30, 2003.

</R>

Net Loss

<R>

As a result, our net loss for the nine months ended September 30, 2004 was \$326,200 which was \$135,000 more than our \$191,200 loss for the nine months ended September 30, 2003.

</R>

The year ended December 31, 2003 compared to the year ended December 31, 2002

Revenues

<R>

We generated approximately \$1,136,900 in sales from prospecting operations during the year ended December 31, 2003 compared to approximately 959,800 in sales for the year ended December 31, 2002, an increase of approximately \$177,100 (approximately 18.5%). This increase is primarily due to an increase in the price of gold. We generated interest income during the year ended December 31, 2003 of approximately \$136 compared to approximately \$128 for the year ended December 31, 2002. We also recognized a gain on the sale of a dredge of approximately \$55,900 in the year ended December 31, 2003.

</R>

Cost and Expenses

Overall, cost and expense during the year ended December 31, 2003 (\$1,452,600) increased \$66,800 (approximately 4.8%) from the year ended December 31, 2002 (\$1,385,800).

<R>

Prospecting expenses for the year ended December 31, 2003 (\$807,500) decreased by approximately \$24,100 from December 31, 2002 (\$831,600) (approximately 2.9%). This decrease is primarily due to decreases in contract labor (\$13,000) and miscellaneous mine supplies (\$11,000).

</R>

Selling, general and administrative expense during the year ended December 31, 2003 (\$462,200) increased by \$93,300 (approximately 20.2%) from the year ended December 31, 2002 (\$368,900). This increase is primarily due to an increase in professional fees (\$46,000), consultants (\$13,000), travel (\$14,000) and payroll related costs (\$20,300).

Stock based compensation included in selling, general and administrative expenses was \$15,000 for the year ended December 31, 2003 and December 31, 2002.

Effects of Exchange Rates on Cash

<R>

The reporting currency for our financial statements is the United States dollar. The functional currency for our operating subsidiary is the Guyana dollars. Accordingly, the assets and liabilities of the subsidiary are included in the financial statements by translating them from Guyana dollars to United States dollars at the exchange rates applicable at the end of reporting period. Revenues are in U.S. and Guyana dollars. Revenues in Guyana dollars and expenses are translated from Guyana dollars to United States dollars at the average monthly exchange rates during the year. Translation gains and losses are accumulated as a separate component of stockholders' equity. During the year ended December 31, 2003, we recorded translation losses of \$5,672 compared to the \$47,894 in translation gains we recorded during the year ended December 31, 2002. The primary increase for the year ended December 31, 2002 was due to a substantial increase in the intercompany accounts which are eliminated in consolidation.

</R>

Net Loss

As a result, our net loss for the year ended December 31, 2003 was \$295,300 which was \$120,800 less than our \$416,100 loss for the year ended December 31, 2002.

Liquidity and Capital Resources

<R>

As of September 30, 2004 we had negative working capital of approximately \$974,900, compared to negative working capital of approximately \$560,300 as at December 31, 2003. In January 2004 we moved our dredging location to concession 26 and, between July 2004 and September 2004, our gold production increased compared to prior periods. Gold production decreased significantly in October and has varied in November and December due to breakage and repair issues with our aged heavy equipment. However, we cannot assure that sufficient funds acquired during the next year or thereafter will be generated from operations or that funds will be available from external sources such as debt or equity from financing or other potential sources. The lack of additional capital resulting from the inability to generate sufficient cash flow from operations or to raise capital from external sources would force us to substantially curtail or cease operations and would, therefore, have a material effect on our business. Further, there can be no assurance that such required funds if available, will be available on attractive terms or that they will not have a significant dilutive effect on our existing stockholders.

Our short-term liquidity would be materially unfavorably affected by events that hinder our prospecting operations. One primary potential issue is problems with our dredges and/or heavy equipment (backhoe excavators and a bulldozer). If the dredges or heavy equipment are down for long periods of time, our extraction of gold from prospecting operations and, thus, liquidity, would be unfavorably impacted. Another primary factor would be our inability to timely prepare sites prior to the heavy rain season (from May to June and from December to January). If we have not adequately cleared the jungle, and removed trees during pond dredging of the riverbanks before the onset of the heavy rainy season, we will be unable to operate in the area in the most efficient manner. Our liquidity also is affected by changes in gold and fuel prices. Our liquidity has benefited from recent high gold prices and been adversely impacted by increasing fuel prices.

</R>

<R>

Net cash used by operating activities decreased by approximately \$138,000 from the nine months ended September 30, 2003 to nine months ended September 30, 2004. This decrease was primarily attributable to an increase in the net loss of approximately \$135,000 less a reduction in gain on sale of property and equipment of approximately \$57,000 offset by an increase in spare parts (\$46,000), an increase in liabilities (\$106,000) and an increase in stock based compensation (\$61,000). Net cash used by operating activities decreased by approximately \$63,000 from the year ended December 31, 2002 to December 31, 2003. This decrease was primarily attributable to a decrease in the net loss of approximately \$121,000 less a gain on the sale of property and equipment of \$56,000.

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

Net cash used in investing activities during the nine months ended September 30, 2004 of approximately \$15,100 was a result of acquisitions of property and equipment. Net cash used in investing activities during the year ended December 31, 2003 of approximately \$41,000 was the result of a sale of a dredge of \$75,000, less other capital expenditures of \$116,000.

Net cash provided by financing activities was approximately \$159,000 for the nine months ended September 30, 2004 compared to net cash provided by financing activities of approximately \$44,000 for the nine months ended September 30, 2003. This increase was primarily attributed to increased issuances of our common stock of approximately \$193,000 offset by payments of liabilities. Net cash provided by financing activities was approximately \$154,000 for the year ended December 31, 2003 compared to net cash provided by financing activities of approximately \$116,000 for the year ended December 31, 2002. This increase was primarily attributed to increased issuances of our common stock of approximately \$15,000 and additional net borrowings of \$23,000.

In March 2003, NARIL borrowed \$10,000,000 Guyana dollars (approximately \$55,600 U.S.) from and issued a Debenture to Demerara Bank Limited. Pursuant to the Debenture, the loan bears interest at the rate of 17.5% per annum or such other rate as the bank may fix from time to time on the amount of the loan outstanding on the 25th day of each month in each year during the continuance of the Debenture. Interest is payable monthly. The principal balance is due and payable 21 days after written demand (or immediately if the Bank determines that a delay would be prejudicial to the Bank's security). Repayment of the loan is secured by a first priority lien against all of NARIL's assets. The principal balance is due immediately upon the following events: (i) failure to pay interest within 14 days of the date upon which an interest payment is due, provided the Bank notifies NARIL of such failure in writing prior to payment of such interest; or (ii) there is an order or resolution to wind up NARIL; (iii) if there is an execution against any of NARIL's property, which execution is not discharged within five days; (iv) a receiver is appointed for NARIL or any of its assets; or (v) NARIL ceases or threatens to cease to carry on its business. Upon any demand by the Bank for payment under the Debenture, the Bank is empowered to take possession of and operate or sell NARIL's assets or appoint a receiver to take such action. All proceeds shall be used first to pay the costs of such actions and then to pay moneys owed under the Debenture. Any remaining funds shall be paid to NARIL. All principal and interest shall become due immediately upon an event of a default. Events of default include: NARIL's default under the Debenture; certain events of reorganization (unless not arising out of insolvency), liquidation or dissolution; and any event that, in the Bank's reasonable opinion, would make it likely that NARIL would be unable to complete its project or that might seriously impair the future performance by NARIL under the Debenture. At present the debenture secures a \$5,000,000 Guyana dollars revolving credit line and a \$3,000,000 Guyana dollars term loan. The Bank reviews these limits annually. As of December 31, 2004, NARIL owed approximately \$13,658,200 (approximately \$68,290 U.S.) Guyana dollars under the revolving line of credit and \$1,340,520 (approximately \$6,700 U.S.) under the term loan. NARIL has been using the proceeds of this loan and credit line for general operating purposes. While the current balance of the revolving line of credit exceeds the current limit, the Bank has informed us that the overage has been approved, pending the next annual review.

</R>

25

<R>

During the next 12 months, we hope to acquire or build one cutterhead dredge (see Part I, Item 1. Business; Current and Planned Activities During The Next 12 Months). We anticipate that this will cost approximately \$250,000. We may seek to obtain the requisite funding through equity or debt financing, joint ventures, cash flow and/or from other sources. There can be no assurances that we will raise adequate funds on acceptable terms from these or other sources, which may have a material adverse effect on our ability to continue or expand our operations.

</R>

Off-Balance Sheet Transactions

We do not have any transactions, agreements or other contractual arrangements that constitute off-balance sheet arrangements

Application Of Critical Accounting Policies

<R>

Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

management's application of accounting policies. Critical accounting policies for use of estimates, accounting for stock-based compensation and environmental remediation costs.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

</R>

26

<R>

We account for stock-based compensation to our employees using the intrinsic value method in accordance with provisions of the Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations which requires the recognition of compensation expense over the vesting period of the option when the exercise price of the stock option granted is less than the fair value of the underlying common stock. Additionally, we comply with the disclosure provisions of Statement of Financial Accounting Standards No. 123 Accounting for Stock Based Compensation (SFAS 123) and provide pro forma disclosure of net loss and loss per share as if the fair value method has been applied in measuring compensation expense for stock options granted. Stock-based compensation related to options granted to non-employees is recognized using the fair value method in accordance with S FAS 123 Emerging Issues Task Force (EITF) No. 96-18,

Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services . Compensation costs are amortized in a manner consistent with Financial Accounting Standards Board Interpretation No. 28 (FIN No. 28), Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans . We use the Black-Scholes options pricing model to value options, restricted stock grants and warrants granted to non-employees.

In December 2002, the FASB issued SAFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure . SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of the accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements for the year ended December 31, 2003. SFAS No. 148 did not have a material impact on our consolidated financial statements, as the adoption of this standard does not require us to change, and we do not plan on changing the fair value based method of accounting for stock-based compensation.

Environmental remediation costs are accrued based on estimates of known environmental remediation exposure. Such accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. It is reasonably possible that our estimates of reclamation liabilities, if any, could change as a result of changes in regulations, extent of environmental remediation required, means of reclamation or cost estimates. Ongoing environmental compliance costs, including maintenance and monitoring costs, are expensed as incurred. There were no environmental remediation costs accrued at September 30, 2004.

</R>

27

Item 3. Description of Property

<R>

As of January 1, 2005, we held under agreements with property holders the rights to prospect and mine the following mineral properties and claims located in Guyana, in South America. Except as noted in the footnotes, our rights run for the life of the properties.

Prop #	Claim/Property	Acreage Of Claim	Royalty(1)	Location	Type	Permit(2)	Permit Expiration
--------	----------------	------------------	------------	----------	------	-----------	-------------------

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

	Name					Date(3)
1	Again(7)	27.33	-0-	Konawaruk River/ Mining District 2	River	Mar. 31, 2005
2	Again #1(7)	27.33	-0-	Konawaruk River/ Mining District 2	River	Mar. 31, 2005
3	Again #2(7)	27.33	-0-	Konawaruk River/ Mining District 2	River	Mar. 31, 2005
4	Again #3(7)	27.33	-0-	Konawaruk River/ Mining District 2	River	Mar. 31, 2005
5	Bad(7)	27.33	-0-	Konawaruk River/ Mining District 2	River	Mar. 31, 2005
6	(5)(7)	1,117	5%	Potaro/Mining District 2	Land	0909/2003 Dec. 22, 2005
7	(5)(7)	1,117	5%	Potaro/Mining District 2	Land	0910/2003 Dec. 22, 2005
8	(5)(7)	1,117	5%	Potaro/Mining District 2	Land	0911/2003 Dec. 22, 2005
9	(5)	1,200		Potaro/Mining District 2	Land	0226/2002 Apr. 2, 2005
10	(5)	1,075		Potaro/Mining District 2	Land	0168/2001 Mar. 13, 2005
11	(5)	1,200		Potaro/Mining District 2	Land	0169/2001 Mar. 13, 2005
12	(5)	1,078		Potaro/Mining District 2	Land	0170/2001 Mar. 13, 2005
13	(5)	1,012		Potaro/Mining District 2	Land	0171/2001 Mar. 13, 2005
14	(5)	1,012		Potaro/Mining District 2	Land	0172/2001 Mar. 13, 2005
15	(5)	1,152		Cuyuni/Mining District 4	Land	0166/2001 Mar. 7, 2005
16	(5)	1,088		Cuyuni/Mining District 4	Land	0167/2001 Mar. 13, 2005
17	(5)	1,200		Mazaruni/Mining District 3	Land	0173/2001 Mar. 27, 2005
18	(5)	1,000		Mazaruni/Mining District 3	Land	0174/2001 Mar. 27, 2005
19	(5)	1,036		Mazaruni/Mining District 3	Land	0175/2001 Mar. 27, 2005
20	(5)	1,150		Mazaruni/Mining District 3	Land	0176/2001 Apr. 5, 2005
21	(5)	1,152		Mazaruni/Mining District 3	Land	0177/2001 Mar. 27, 2005
22	(5)	1,152		Mazaruni/Mining District 3	Land	0178/2001 Apr. 1, 2005
23	(5)	1,152		Mazaruni/Mining District 3	Land	0179/2001 Apr. 2, 2004(8)
24	(5)	1,152		Mazaruni/Mining District 3	Land	0180/2001 Apr. 2, 2004(8)
25	(5)	1,152		Mazaruni/Mining District 3	Land	0181/2001 Apr. 1, 2005
26	(4)(5)(6)	24.9 Sq. miles	10%	Potaro/Mining District 2	Land	0646/1990 Mar. 15, 2005

</R>

<R>

- (1) Represents the % of the gross value of the minerals recovered from the property payable to the property holder in minerals or cash, at the property holder's discretion. Gross value means the actual value of the gold recovered, exclusive of Government royalties and taxes. Does not include the royalties payable to the Government of Guyana. See Royalties below.

</R>

- (2) Represents the PPMS permit held for the property. If there is no permit number, the location is a small scale claim. See Application for Mineral Properties in Guyana and our Licensed Properties in Part I. Description of Business above.

<R>

- (3) See Application for Mineral Properties in Guyana and our Licensed Properties in Part I. Description of Business above. We renew these annually. No formal application is required. The GGMC renews permits on payment of the prescribed fee on the date it is due.

- (4) We currently are conducting prospecting on this Concession.

</R>

(5) NARIL has the right to operate these properties. These properties do not have names.

<R>

(6) The right to work this property is held by Guyana Primary Resources. NARIL's rights to prospect and mine on this property is non-exclusive and currently runs through May 30, 2015. NARIL's rights are terminable by NARIL or the property holder if there is a breach of the agreement. The agreement also terminates if Mr. Hassan's employment agreement with NARIL terminates. This type of property is known as a mining concession. It is a type of mining property which was formerly granted under the previous Mining Act, Chapter 65:01. With the enactment of the present Mining Act this type of property is no longer granted. However, existing ones (of which this is one) are valid.

</R>

<R>

(7) In November 2004, we granted a non-exclusive 10-year license to AMR Gold Resources (Guyana) Inc. to explore and mine these five claims and three PPMSs. We are entitled to a royalty of 10% of the gross value of the minerals recovered. Pursuant to our agreements with the property holder of the PPMSs, we are obligated to pay the property holders 5% of the gross value of the minerals recovered.

(8) These PPMSs have expired; however, NARIL is in the process of obtaining new permits.

References in this registration statement to property numbers, refer to the claims, PPMSs and/or the concession listed in the above table.

As mentioned above in Application for Mineral Properties in Guyana and our Licensed Properties in Part I, Item 1. Description of Business, under the Mining Act, small scale and medium scale properties must be held in the names of Guyanese citizens. Accordingly, all of the properties over which NARIL has the right to prospect or mine, are held by Guyanese citizens. NARIL has license agreements with these property holders. Generally, NARIL acquired these rights in exchange for cash, the issuance of our shares and/or a royalty. The PPMSs acquired from NARIL's chief executive officer were acquired primarily in consideration of NARIL's agreement to keep the PPMSs in good standing. We are obligated under the agreements with the property holders to pay all government royalties and licenses and permit fees. If NARIL defaults on its obligations under the agreements, the licenses/permits could be forfeited by the State for non-payment and, it could lose its rights.

</R>

<R>

Numbers next to claims, PPMs and the concession refer to the property numbers in the table at the beginning of this Item 3. Rivers are indicated in red and roads are indicated in blue.

</R>

31

Royalties

<R>

We are required to pay royalties on all gold extracted and sold during our operations. These royalties are paid to the Government of Guyana on all gold sales whether the gold is extracted from properties where we are the original license holder or from properties which are under license to third parties who have issued sublicenses to us. The amount of the royalty varies from 3% to 5% of the value of the gold sold depending on the world market price of gold. The royalty is 3% when gold is below \$265, 4% when it is between \$265 and under \$285, and 5% when it is \$285 or greater.

In addition, with respect to some of the properties in which we have contracted interests, we are required to pay a production royalty to the license holder from whom we have received a sublicense. Such royalties vary from 0% to 10% of the gross value of the minerals recovered from the property, depending on the sublicense terms, and are set forth in the chart above.

</R>

Property History

A number of companies have explored the Konawaruk River since the 1950 s. The table below shows the most important exploration programs in the Konawaruk River area:

<R>

DATE	COMPANY	EXPLORATION PROGRAM
------	---------	---------------------

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

1951 to 1953	B. G. Consolidated	600 banka drill holes - 6 diameter
1958	PATO Consolidated	51 banka drill holes - 6 diameter
1981 to 1982	RUDIS Yugoslavia	112 banka drill holes/ - 6 diameter

These programs were conducted on more than 30 miles of the River and its banks. Our river properties are within the area tested.

In addition, we purchased high resolution satellite imagery (six meter pixel resolution) from RADARSAT INTERNATIONAL in 2003 covering the entire Konawaruk river in order to evaluate the gold bearing areas that were mined out in the past in comparison to the areas previously identified by the BG Consolidated drilling program. We also conducted a bulk sampling program over these areas with the use of excavators in order to confirm the previous results.

Between 2000 and September 30, 2004, NARIL has extracted in excess of 16,000 ounces of gold in the Konawaruk River Project using suction dredges. During this period, NARIL's profits specifically from these operations approximated \$994,000 or approximately \$258 per ounce of gold extracted. During the years ended December 31, 2000, 2001, 2002 and 2003, and during the nine months ended September 30, 2004, the approximate cost per ounce was \$215.79, \$245.99, \$272.85, \$247.70 and \$289.19, respectively. These operating profits consist of revenues less direct operating costs and royalties. They exclude such items as depreciation, depletion and amortization and corporate overhead. Including these items and our other expenses, we have operated at a loss (see the consolidated financial statements at the end of this registration statement). NARIL's approximate aggregate cost of acquisition of the properties, claims and the concession listed in the table at the beginning of Item 3 is \$105,000. Acquisition costs include cash and the value of our stock issued for the properties. Acquisition costs exclude royalties required to be paid pursuant to our agreements with certain of the property/permit holders. NARIL's approximate cost of acquisition of the dredges and other mining equipment is \$1,768,500.

</R>

32

<R>

NARIL's prospecting operations are concentrated in areas of the Konawaruk River alluvials that show the presence of iron-cemented gold bearing gravel layers, which often show bonanza (rich) grade gold mineralization.

Between January 1, 2004 and December 30, 2004, the fixed price for gold on the London Exchange has fluctuated between \$373 and \$455 per ounce.

The gold extracted by suction dredging in the Konawaruk River Gold Project is stored in secure boxes prior to shipment to Georgetown. Heavily armed security guards always accompany gold shipments until it reaches its final destination. London second fix prices are utilized if gold sales are conducted in Guyana.

Property Location and Access

</R>

Claim/Properties Nos 1-8 and 26: The Konawaruk properties are located in north central Guyana, Potaro Mining District #2, some 200 kilometers SW of the capital Georgetown. Access to the area is among the best in Guyana, via 90 kilometers of paved road to the city of Linden, followed by 140 kilometers of laterite capped road (Mahdia road) to reach the Konawaruk River and the claims mentioned. Alternatively, airplanes can be chartered from Georgetown to reach to the Konawaruk National Service Centre airstrip, taking approximately 40 minutes.

Properties Nos 9-14: The Mowasi properties are located in north central Guyana, Potaro Mining District #2, some 200 kilometers SW of the capital Georgetown. Access to the area is among the best in Guyana, via 90 kilometers of paved road to the city of Linden, followed by 170 kilometers of laterite capped road (Mahdia road) to reach the Mowasi River and the PPMSs. Alternatively, airplanes can be chartered from Georgetown to reach to the Konawaruk National Service Centre airstrip, taking approximately 40 minutes.

Properties Nos 17-25: The Meamu properties are located in west Guyana, Mazaruni Mining District #3, some 250 kilometers SW of the capital Georgetown. Access to the area is among the best in Guyana, via jet boats with payload capacity of 5,000 lbs, taking approximately 8 hours. In addition, a combination of truck transportation using the Issano Road for a total of 300 kilometers, followed by cargo boat with payload capacity of 25,000 lbs can be used as well.

33

Properties Nos 15-16: The Oko properties are located in north central Guyana, Cuyuni Mining District #4, some 200 kilometers SW of the capital Georgetown. Access to the area is among the best in Guyana, via 90 kilometers of paved road to the city of Linden, followed by 120 kilometers of laterite capped road (Puruni road) to reach the Oko River and the PPMSs mentioned. Alternatively, airplanes can be chartered from Georgetown to reach to the Oko airstrip, taking approximately 35 minutes.

<R>

All of our properties are located away from populated areas. As a result, we are required to bring our own power sources. Our heavy equipment and most of our other equipment operate on diesel fuel and some of our equipment operates on gasoline. We use diesel generators to supply electricity.

</R>

Geography

<R>

All of the properties in which we have an interest are situated in geologic domains known as greenstone belts, which are ancient volcanic-sedimentary rock assemblages. Greenstone belts are known to be favorable geologic environments for gold mineralization and account for a significant proportion of the world's gold production, for instance, the greenstone belts of the Canadian Shield in Eastern Canada, the Pilbara and Yilgarn Blocks of Western Australia, the greenstone belts of East and West Africa and the Guiana and Brazilian Shields of South America. All properties in which we have an interest consist of alluvial deposits that are directly derived from greenstone belts.

</R>

Gold exploration and mining have, in the past, been conducted within most of the areas where our properties are located. However, with a few exceptions, the areas have yielded comparatively few large scale mining infrastructure, and until a few years ago, adverse political and business conditions. Although there are, or have been numerous artisanal mining operations scattered throughout the areas where our properties are located, with very few exceptions, these areas had not until recently been fully explored with modern techniques and equipment.

<R>

Our executive office is located at 76 Beaver Street, 26th Floor, New York, New York 10005. Telephone Number 212-668-0842. We sublet space at such location from Capital Gold Corporation on a month-to-month bases. Gifford Dieterle, Capital Gold's president and chairman of the board of directors is one of our officers and directors. Current rent is \$750 per month.

</R>

NARIL's office facilities are located at 88 Barrack Street, Georgetown, Guyana where it occupies 3,000 square feet of space, which it rents for \$2,000 per month from an unaffiliated party under a lease that expires on June 30, 2006.

NARIL provides housing quarters for Mr. Hassan, its chief executive officer and one of our directors, in Georgetown, Guyana. The quarters occupy 2,000 square feet of space, and are rented for \$1,500 per month from an unaffiliated party pursuant to a lease that expires on April 30, 2007.

34

Item 4. Security Ownership of Certain Beneficial Owners and Management

<R>

The following table sets forth information as of January 6, 2005, with respect to

</R>

any person known by us to own beneficially more than 5% of our common stock;

common stock beneficially owned by each of our officers and directors and officers and directors of NARIL;
and

the amount of common stock beneficially owned by our officers and directors and the officers and directors of NARIL as a group.

<R>

<u>Name & Address of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned</u>	<u>Approximate Percent of Common Stock Outstanding (1)</u>
Dean S. Hassan*(2) Lot 88 C D Barrack Street Kingston, Georgetown, Republic Of Guyana	990,500	7.0%
Jack H. Paulsen*(3) N5829 Country Rd. H DePere, WI 54115	360,510	2.5%
Gifford A. Dieterle*(4) 76 Beaver Street Suite 2600 New York, NY 10005	650,000	4.6%
Saul Horing*(5) 76 Beaver Street Suite 2600 New York, NY 10005	295,000	2.1%
Arthur Brown *(6) 1701 Utica Avenue Brooklyn, NY 11234	584,500	4.1%
Joshua Summerland* 200 638-11 Ave SW Calgary, Alberta Canada T2R 0E2	50,000	**
All directors and executive Officers as a group (6 persons)	2,930,510	20.7%

* Executive Officer and/or Director.

** Less than one percent

</R>

<R>

- (1) Based upon 14,152,709 shares of common stock issued and outstanding as of January 6, 2005 and includes, for each person, the shares issuable upon exercise of warrants owned by them.
- (2) Includes 570,500 shares held by DePaco Holding Corp., a company controlled by Mr. Hassan.
- (3) Includes 78,910 shares held by North American Resources Inc., a company controlled by Mr. Paulsen.
- (4) Excludes 500,000 shares owned by Capital Gold Corporation. Mr. Dieterle is an officer and director of Capital Gold Corporation and he disclaims beneficial ownership of all shares of our common stock owned by Capital Gold Corporation.
- (5) Includes 60,000 shares owned jointly with his wife. Also includes 25,000 shares owned by his wife. Mr. Horing disclaims beneficial interest in the shares owned by his wife and half of the shares jointly owned with his wife.
- (6) Includes 441,250 shares owned by Diet Group, Inc., a corporation controlled by Mr. Brown.

</R>

Item 5. Directors and Executive Officers, Promoters and Control Persons

<R>

Name	Age	Position
Saul Horing	75	Our President and a Director, and a Director of NARIL
Dean S. Hassan	43	One of our Directors and Chief Executive Officer, Secretary and Chairman of the Board of Directors of NARIL
Jack H. Paulsen	69	Our Vice President and a Director, and a Director of NARIL
Gifford A. Dieterle	72	Our Executive Vice President, Secretary and Treasurer, and Director and a Director of NARIL
Joshua Summerland	49	One of our Directors, and a Director of NARIL
Arthur Brown	54	One of our Directors

</R>

Each director has been elected to serve until the next annual meeting of stockholders, or until his earlier resignation, removal from office, death or incapacity. Officers are elected by the directors at meetings called by the directors for such purpose.

<R>

SAUL HORING has been one of our directors since 1996 and our president since 1998. He also served as our president from 1969 to 1996. He received a LLB degree in 1954 and a JD degree in 1967 from Brooklyn Law School and is a practicing attorney in New York. Mr. Horing devotes approximately 20% of his time to our business.

GIFFORD A. DIETERLE, has been our executive vice president and secretary-treasurer since 1997 and one of our directors since 1996. Mr. Dieterle is president, treasurer and chairman of the board of directors of Capital Gold Corporation, a public gold exploration company, where he has worked for more than 20 years. From 1977 until 1993, he was chairman, treasurer and

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

executive vice-president of Franklin Consolidated Mining Company. From 1965 to 1987, he was lecturer in geology at the City University of N.Y. (Hunter Division). Since 1962, he has been a consulting geologist engaged in the geological evaluation of oil and mineral properties. He graduated from New York University with a BA in geology in 1956 and with a MS in geology in 1959. Mr. Dieterle devotes approximately 20% of his time to our business.

SHAHABUDEEN DEAN S. HASSAN, has been one of our directors since 1996 and chief executive officer, secretary and chairman of the board of NARIL since 1995. Mr. Hassan does not have formal technical or professional training or degrees related to geology, mineral exploration or mine development or operations. However, he has serviced mining claims in Guyana, and the dredging of gold in various rivers in Guyana, as well as engaging in all facets of Guyana gold mining operations for the past 14 years. From 1990 to 1995, Mr. Hassan was president of Canadian International Mining Group, a private company that conducted dredging operations in Guyana. Mr. Hassan has been the treasurer of the Guyana Gold and Diamond Miners Association for the past three years. He devotes approximately 90% of his time to NARIL's business.

JACK H. PAULSEN, has been one of our directors and vice presidents since 1996. Mr. Paulsen does not have formal technical or professional training or degrees related to geology, mineral exploration or mine development or operations. However, Mr. Paulsen has been a consultant on mineral exploration in Liberia, West Africa, French Guinea, Brazil and Venezuela over the past 17 years. He has been employed by or consulted for American Primary Resources Inc., North American Resources Inc. (a Nevada company owned by him), CCR Incorporated, Jupiter Export Import Inc. and Siskon Gold Corporation. He has been active in on-site operations for NARIL since becoming one of our officers and directors in 1996. He devotes approximately 80% of his time to our business.

JOSHUA SUMMERLAND, has been one of our directors since November 2003. Mr. Summerland has been a sole practitioner in the accounting profession since 1979. He is a member of the Institute of Certified Professional Accountants of Alberta.

ARTHUR BROWN has been one of our directors since 1998. Mr. Brown has indicated to us that he has been involved in real estate and construction during the past five years. The New York Medical Conduct Administrative Review Board revoked Mr. Brown's license to practice medicine in October 1998. The Review Board, in making this determination, among other things, sustained charges that Mr. Brown practiced with fraud and moral unfitness. Upon review of its findings and in sustaining its prior findings, the Review Board noted that Mr. Brown had a prior criminal conviction for petty larceny involving the Medicaid program.

</R>

37

<R>

Our Board of Directors does not currently have a compensation committee, audit committee or nominating committee. We do not have an Audit Committee financial expert. We believe that the cost of retaining a financial expert at this time is too prohibitive given our current financial condition.

</R>

Item 6. Executive Compensation

<R>

The following table shows all the cash compensation paid or to be paid by us or NARIL, as well as certain other compensation paid or accrued, during the fiscal years indicated, to our president and to NARIL's chief executive officer for such period in all capacities in which such officer served. No other executive officer received total annual salary and bonus in excess of \$100,000.

</R>

SUMMARY COMPENSATION TABLE

<R>

Long Term Compensation

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

(a) Name and Principal Position	(b) Year	Annual Compensation			(f) Restricted Stock Award (\$)	(g) Securities Underlying Options/ SARs	(h) LTIP Payouts (\$)	(i) All Other Compensa- tion
		(c) Salary(\$)	(d) Bonus(\$)	(e) Other Annual Compensa- tion (\$)				
Horing, Saul	2003	\$ 24,000						
Our President	2002	\$ 24,000						
	2001	\$ 24,000						
Sheikh S. Hassan, CEO, Secretary & Chairman	2003	\$ 74,769		\$ 32,000*	12,500			
	2002	\$ 74,872		\$ 28,000*	12,500			
	2001	\$ 69,686		\$ 31,000*	12,500			

* Represents cost of living quarters, food supplies and a housekeeper paid on behalf of Mr. Hassan pursuant to his employment agreement with NARIL.

Directors generally do not receive any compensation for serving as such or for attending meetings of the Board. They are reimbursed their accountable expenses for attending meetings. However, in September and October 2004, we issued 50,000 shares to each of our five directors for their past services to us as members of our board of directors.

Messrs. Horing, Dieterle and Paulsen serve on a month-to-month basis and receive \$2,000; \$2,000 and \$1,000 per month, respectively, for their services. No officer devotes full time to our business. Messrs. Hassan and Paulsen devote most of their time to our NARIL operations.

</R>

38

<R>

Pursuant to an employment agreement dated August 1, 2004 with NARIL, Mr. Hassan, NARIL's chief executive officer, secretary and Chairman, receives an annual salary (August through July) of \$90,000 in 2004 plus health and other benefits. Mr. Hassan is also provided with living quarters, food supplies and a housekeeper for which we incurred charges of approximately \$32,000 in 2003. Upon execution of the agreement, Mr. Hassan is to receive 100,000 shares of our common stock and he is entitled to an annual bonus of 100,000 shares. The initial 100,000 shares will be issued in September 2004. The agreement runs for a period of one year and, thereafter, is terminable by either party upon the occurrence of a material breach. Pursuant to a prior employment agreement, he received 50,000 shares per year in 2001, 2002, 2003 and 2004. Pursuant to the current agreement he received an additional 100,000 shares in November 2004.

</R>

Item 7. Certain Relationships and Related Transactions

<R>

From time to time, certain of our officers and/or their wives have made interest bearing demand loans to us or NARIL, all of which were made prior to January 1, 2002. As of September 30, 2004, pursuant to these loans, we owed Mr. Horing and his wife an aggregate of \$35,525 and we owed Mr. Dieterle \$6,990. These loans bear interest at 8% per annum. In addition, as of September 30, 2004, pursuant to a promissory note to Mr. Hassan and Transec Inc., a company owned by Mr. Hassan, NARIL owes Mr. Hassan an aggregate of 16,679,899 Guyana dollars (approximately \$94,000 U.S.). The note to Mr. Hassan and Transec, dated July 14, 2004, is a consolidation of four prior notes made in 2000 and 2001, plus accrued and unpaid interest. Principal and interest at the rate of 21.75% per annum are payable on demand. In January 2005, Mr. Hassan loaned NARIL an

additional \$25,000 U.S. pursuant to a demand note that bears interest at the rate of 17% per annum.

Pursuant to his current employment agreement, Mr. Hassan, President of our Guyana subsidiary and one of our directors, received 100,000 shares of our common stock in November 2004 and he is entitled to an annual bonus of 100,000 shares.

Pursuant to a prior employment agreement, he received 50,000 shares per year in 2001, 2002, 2003 and 2004.

</R>

Mr. Hassan is the holder of Claim/Property no.s 9-25. Mr. Hassan has granted NARIL an exclusive and irrevocable license to enter upon, prospect and/or work the areas covered by these PPMSs, provided that NARIL, by action or inaction, does not cause any of the PPMSs to be forfeited and/or cancelled by Guyana.

<R>

As noted in Item 3, in November 2004, we granted a non-exclusive 10-year license to AMR Gold Resources (Guyana) Inc. to explore and mine claims and PPMSs listed as properties 1 through 8 in the table in Item 3. We are entitled to a royalty of 10% of the gross value of the minerals recovered. Pursuant to our agreements with the property holder of the PPMSs, we are obligated to pay the property holders 5% of the gross value of the minerals recovered. In October 2004, Mr. Hassan, settled a dispute he had with certain parties, including AMR. As part of the settlement, Mr. Hassan agreed to effect the non-exclusive license agreement. Pursuant to the settlement, Mr. Hassan is to receive shares of AMR. Mr. Hassan has agreed to transfer one third of these shares to NARIL. Our Board of Directors reviewed and ratified the transaction.

</R>

39

<R>

In September and October 2004, we issued 50,000 shares to each of our five directors for past services rendered to us as members of our board of directors.

As disclosed in Part I; Item 3. Description of Property, NARIL provides housing quarters for Mr. Hassan, its chief executive officer and one of our directors, in Georgetown, Guyana. The quarters occupy 2,000 square feet of space, and are rented for \$1,500 per month from an unaffiliated party pursuant to a lease that expires on April 30, 2007.

</R>

Item 8. Description of Securities

Common Stock

We are authorized to issue 25,000,000 shares of common stock, \$.10 par value per share. Each outstanding share is entitled to one vote, either in person or by proxy, on all matters that may be voted upon by the owners thereof at meetings of the stockholders.

At present, the holders of our common stock

have equal ratable rights to dividends from funds legally available therefor, when, and if declared by our board of directors;

are entitled to share ratably in all of our assets available for distribution to holders of common stock upon our liquidation, dissolution or winding up of the affairs;

do not have preemptive, subscription or conversion rights, or redemption or sinking fund provisions applicable thereto; and

are entitled to one non-cumulative vote per share on all matters on which stockholders may vote at all meetings of stockholders.

PART II

Item 1. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

(a) **Marketing Information** The principal U.S. market in which our common stock, all of which are of one class, are traded or will trade is in the over-the-counter market. The stock is quoted on the Pink Sheets under the symbol: SAMM Our stock is not traded or quoted on any automated quotation system.

The following tables set forth the range of high and low closing bid prices for our common stock on a quarterly basis for the past two fiscal years. This information was obtained from the Pink Sheets, LLC. The bid prices reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

40

MARKET PRICE OF COMMON STOCK

<R>

Quarter Ending	BID	
	High	Low
2002		
First Quarter	.15	.07
Second Quarter	.25	.07
Third Quarter	.20	.09
Fourth Quarter	.15	.10
2003		
First Quarter	.20	.06
Second Quarter	.25	.07
Third Quarter	.15	.10
Fourth Quarter	.35	.13
2004		
First Quarter	.35	.27
Second Quarter	.35	.30
Third Quarter	.30	.22
Fourth Quarter	.30	.17

Holders. There were approximately 219 holders of record of our common stock as of January 6, 2005 inclusive of those brokerage firms and/or clearing houses holding our securities for their clientele, with each such brokerage house and/or clearing house being considered as one holder. The aggregate number of shares of common stock outstanding as of January 6, 2005 was 14,152,709 shares.

Dividends. We have not paid or declared any dividends upon our common stock since inception and we do not anticipate paying dividends on our common stock in the foreseeable future. We anticipate that we will retain any earnings to finance the growth of our business and for general corporate purposes.

</R>

41

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

The following table gives information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of December 31, 2003.

Plan Category	Number of Securities to be issued upon exercise of outstanding Options, warrants And rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:		\$	
Equity compensation plans not approved by security holders:		\$	
Total		\$	

Item 2. Legal Proceedings

We are not presently a party to any material litigation. NARIL is a defendant in a civil action titled Rajkumar Searwar v. NARIL, civil action number 29-W/2000 commenced in January 2000, in the High Court of Guyana in Guyana in which a the plaintiff is seeking \$53,650 U.S. in damages for alleged wrongful termination. NARIL believes that it has good defenses and counterclaims. The matter was taken off of the Court List in September 2000 due to the plaintiff's failure to file a proper form and, as a result of the plaintiff's continued failure to file the form, the matter was deemed abandoned in September 2001.

Item 3. Changes in and Disagreements with Accountants

There have been no changes in or disagreements with accountants with respect to accounting and/or financial disclosure.

Item 4. Recent Sales of Unregistered Securities

During the year ended December 31, 2002, we issued 300,000 shares of common stock to Cuyuni LLC in lieu of guaranteed Venture distributions. We also issued 890,000 shares of common stock to 10 individuals pursuant to a private placement for gross proceeds of \$89,000. We also issued 50,000 shares of common stock to Mr. Hassan, NARIL'S chief executive officer, pursuant to his employment agreement with NARIL and 25,000 shares of common stock to an unrelated party for services. We also issued 25,000 shares for payment of accrued expenses and issued common stock purchase options for 100,000 shares as consideration for extending the due date of a loan.

During the year ended December 31, 2003, we issued 60,000 shares of common stock to Cuyuni LLC in lieu of distributions. We also issued 1,070,000 shares of common stock to 11 individuals pursuant to a private placement for gross proceeds of \$107,000. We also issued 50,000 shares of common stock to Mr. Hassan pursuant to his employment agreement with NARIL. We also issued 25,000 shares of common stock to an unrelated party for services. We also issued common stock purchase options for 50,000 shares as consideration for extending the due date of a loan.

<R>

During 2004, we issued 2,390,000 shares of common stock to 21 individuals pursuant to a private placement for gross proceeds of \$239,000. We also issued an aggregate of 275,000 shares to our five directors and one of our employees for services rendered. We also issued 255,566 shares of common stock as consideration for the payment of a note payable in the amount of \$25,566. We also issued 6,000 shares to an unrelated party for services. We also issued 150,000 shares of common stock upon exercise of options by one person for proceeds of \$17,500. As disclosed in Part I, Item 7. Certain Relationships and Related Transactions we also issued 100,000 shares to Mr. Hassan, NARIL's chief executive officer, secretary and Chairman.

</R>

The issuance of these securities was deemed to be exempt from registration under the Securities Act of 1933 in reliance on Section 4(2) of such Act as a transaction by an issuer not involving a public offering.

Item 5. Indemnification of Directors and Officers

Our Restated Articles of Incorporation provide for the indemnification of our officers and directors. The provisions are set forth in Article Ninth of our Articles of Incorporation. These provisions are consistent with Nevada's General Corporation Law pursuant to which we may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of our company (such as a shareholder derivative suit), by reason of the fact that such person is or was one of our directors, officers, employees or agents, or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Such indemnification may extend to expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonable incurred by such person in connection with the action, suit or proceeding if he acted in good faith and in a manner which he reasonable believed to be in or not opposed to our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court to be liable to us or for amounts paid in settlement to us, unless the court in which the action or suit was brought, or another court of competent jurisdiction, determines that in view of all the circumstances, the person is fairly and reasonably entitled to be indemnified for such expenses.

PART F/S

See our consolidated financial statements at the end of this registration statement.

PART III

Items 1 & 2. Index to Exhibits and Description of Exhibits

<R>

Exhibits

- 3.a. Our Restated Articles of Incorporation*
- 3.b. Certificate of Amendment to our Articles of Incorporation*
- 3.c. Our By-Laws*
- 3.d. Certificate of Incorporation of North American Resources Incorporated Limited *
- 3.e. Articles of Association North American Resources Incorporated Limited*
- 3.f. Memorandum of Association North American Resources Incorporated Limited*
- 3.g. Articles of Continuance of Incorporation of North American Resources Incorporated Limited *

- 4.a. Text of Common Stock Certificate*
- 10.a. Mining Joint Venture Agreement between us and Cuyuni River Venture #1 LLC. *
- 10.b. Amendment to Mining Joint Venture Agreement between us and Cuyuni River Venture #1 LLC. *
- 10.c. NARIL Agreement with Garfield Pollard dated July 26, 1999*
- 10.d. NARIL Agreement with Edward Hopkinson dated March 25, 1999*
- 10.e. NARIL Agreement with Mr. Hassan dated April 4, 2002*
- 10.f. NARIL Agreement with Guyana Primary Resources Inc. dated May 30, 2003*
- 10.g. Hassan Employment Agreement with NARIL dated August 1, 2004*
- 10.h. NARIL license agreement with AMR Gold Resources (Guyana) Inc. dated November 3, 2004.

* Previously filed.

</R>

44

SIGNATURES

<R>

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment no. 1 to its registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

</R>

SOUTH AMERICAN MINERALS, INC.

<R>

Dated: January 18, 2005

By: s/Saul Horing

Saul Horing
President

</R>

45

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
South American Minerals Inc.
New York, New York

We have audited the accompanying consolidated balance sheet of South American Minerals, Inc. and Subsidiaries (the Company) as of December 31, 2003 and the related consolidated statements of operations, stockholders' equity, and cash

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of South American Minerals, Inc. and Subsidiaries at December 31, 2003, and the consolidated results of their operations and their consolidated cash flows for the year ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has incurred significant operating losses for the year ended December 31, 2003, and has significant working capital and stockholders' deficiencies that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WOLINETZ, LAFAZAN & COMPANY, P.C.

Rockville Centre, New York
September 13, 2004

F-1

*SOUTH AMERICAN MINERALS, INC.
CONSOLIDATED BALANCE SHEET*

<R>

<i>ASSETS</i>	September 30, 2004	December 31, 2003
	(Unaudited)	
Current Assets:		
Cash and Cash Equivalents	\$ 66,648	\$ 3,456
Spare Parts and Fuel	93,678	19,969
	160,326	23,425
Total Current Assets		
Property and Equipment, Net	321,020	374,067
Other Assets:		
Deferred Finance Costs, Net		624
Total Assets	\$ 481,346	\$ 398,116

LIABILITIES AND STOCKHOLDERS DEFICIENCY

Current Liabilities:		
Accounts Payable	\$ 129,060	\$ 87,068
Accrued Expenses	333,660	312,218
Accrued Expenses - Related Parties	332,132	226,337
Current Portion of Long-Term Debt	4,860	4,881
Note Payable - Bank - Revolving Credit	28,792	34,608
Loan Payable - Other	131,218	155,860
Notes and Loans Payable - Related Parties	136,848	130,626
Loan Payable - Cuyuni Partner	38,694	43,694
	<hr/>	<hr/>
Total Current Liabilities	1,135,264	995,292
Long-Term Debt - Net of Current Portion	3,132	6,949
	<hr/>	<hr/>
Total Liabilities	1,138,396	1,002,241
	<hr/>	<hr/>
Commitments and Contingencies		
Minority Interest	(99,351)	(115,865)
	<hr/>	<hr/>
Stockholders' Deficiency:		
Common Stock, \$.10 Par Value; Authorized 25,000,000 Shares, Issued and Outstanding 13,402,707 Shares in 2004 and 10,976,051 Shares in 2003	1,340,271	1,097,605
Additional Paid-in-Capital	4,703,913	4,667,080
Accumulated Deficit	(6,394,866)	(6,068,666)
Other Comprehensive Income (Loss)	(207,017)	(184,279)
	<hr/>	<hr/>
Total Stockholders' Deficiency	(557,699)	(488,260)
	<hr/>	<hr/>
Total Liabilities and Stockholders' Deficiency	\$ 481,346	\$ 398,116
	<hr/>	<hr/>

</R>

The accompanying notes are an integral part of these financial statements.

F-2

SOUTH AMERICAN MINERALS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS

<R>

	<u>For the Nine Months Ended September 30,</u>		<u>For the Years Ended December 31,</u>	
	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2002</u>
	(Unaudited)	(Unaudited)	(Unaudited)	
Revenues:				

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

Sales - Net	\$ 1,085,891	\$ 773,201	\$ 1,136,898	\$ 959,832
Other Income	451	60,351	55,881	128
	<u>1,086,342</u>	<u>833,552</u>	<u>1,192,779</u>	<u>959,960</u>
Costs and Expenses:				
Royalty Expenses	54,569	38,660	51,317	41,465
Prospecting Expenses	788,422	555,141	807,475	831,619
General and Administrative Expenses	468,192	366,873	462,186	368,944
Depreciation and Amortization	59,378	66,439	87,275	104,786
Interest Expense	25,520	29,456	44,379	39,032
	<u>1,396,081</u>	<u>1,056,569</u>	<u>1,452,632</u>	<u>1,385,846</u>
Loss Before Minority Interest	(309,739)	(223,017)	(259,853)	(425,886)
Minority Interest	(16,461)	31,794	(35,420)	9,826
	<u>(326,200)</u>	<u>(191,223)</u>	<u>(295,273)</u>	<u>(416,060)</u>
Net Loss	\$ (326,200)	\$ (191,223)	\$ (295,273)	\$ (416,060)
Net Loss Per Share (Basic and Diluted)	\$ (.03)	\$ (.02)	\$ (.03)	\$ (.05)
Weighted Average Shares Outstanding (Basic and Diluted)	<u>12,514,285</u>	<u>9,824,384</u>	<u>9,918,968</u>	<u>9,223,551</u>

</R>

The accompanying notes are an integral part of these financial statements.

F-3

SOUTH AMERICAN MINERALS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS DEFICIENCY

Common Stock		Additional Paid-In Capital	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Shares	Amount				

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

Balance January 1, 2002 (Unaudited)	8,481,051	\$ 848,105	\$ 4,612,651	\$ (5,357,333)	\$ (226,501)	\$ (123,078)
Issuance of Shares to Joint Venture Partner as Distributions	300,000	30,000	30,000			60,000
Issuance of Shares for Cash	890,000	89,000				89,000
Shares Issued for Services to a Related Party	50,000	5,000	7,500			12,500
Shares Issued for Services	25,000	2,500				2,500
Shares Issued in Payment of Accrued Expenses	25,000	2,500				2,500
Value of Options Granted as Deferred Finance Costs			8,164			8,164
						<u>51,586</u>
Comprehensive Income (Loss) Net Loss December 31, 2002				(416,060)		(416,060)
Other Comprehensive Income (Loss) Equity Adjustment from Translation					47,894	47,894
Comprehensive Income (Loss)						<u>(368,166)</u>
Balance (Unaudited) December 31, 2002	9,771,051	977,105	4,658,315	(5,773,393)	(178,607)	(316,580)
Issuance of Shares to Joint Venture Partner as Distributions	60,000	6,000	3,000			9,000
Shares Issued for Cash	1,070,000	107,000				107,000
Expense of Sale			(2,484)			(2,484)
Shares Issued for Services to a Related Party	50,000	5,000	7,500			12,500
Shares Issued for Services	25,000	2,500				2,500
Value of Options Granted as Deferred Finance Costs			749			749
						<u>(187,315)</u>
Comprehensive Income (Loss) Net Loss December 31, 2003				(295,273)		(295,273)
Other Comprehensive Income (Loss) Equity Adjustment from Translation					(5,672)	(5,672)
Comprehensive Income (Loss)						<u>(300,945)</u>
Balance December 31, 2003	<u>10,976,051</u>	<u>\$ 1,097,605</u>	<u>\$ 4,667,080</u>	<u>\$ (6,068,666)</u>	<u>\$ (184,279)</u>	<u>\$ (488,260)</u>

The accompanying notes are and integral part of these financial statements.

F-4

SOUTH AMERICAN MINERALS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

<R>

	For the Nine Months Ended September 30,		For the Year Ended December 31,	
	2004	2003	2003	2002
	(Unaudited)	(Unaudited)		(Unaudited)
Cash Flows from Operating Activities:				
Net Loss	\$ (326,200)	\$ (191,223)	\$ (295,273)	\$ (416,060)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:				
Depreciation	59,378	66,439	87,275	104,786
Stock Based Compensation	61,350		15,000	15,000
Minority Interest	16,461	(31,794)	35,420	(9,826)
Gain on Sale of Property and Equipment		(57,308)	(55,881)	
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Spare Parts and Fuel, Oil and Lubes	(73,709)	(27,754)	8,537	51,658
Increase in Accounts Payable	41,992	(5,514)	6,408	5,340
Increase in Accrued Expenses	127,237	69,373	90,096	77,347
Net Cash Used by Operating Activities	(93,491)	(177,781)	(108,418)	(171,755)
Cash Flows from Investing Activities:				
Capital Expenditures	(15,056)	(14,105)	(116,135)	(2,822)
Proceeds from Sale of Property and Equipment		75,000	75,136	
Net Cash Provided (Used) by Investing Activities	(15,056)	60,895	(40,999)	(2,822)
Cash Flows from Financing Activities:				
Proceeds from Sale of Common Stock	196,500		107,000	89,000
Expenses of Sale of Common Stock	(3,917)		(2,484)	
Proceeds of Loans from Cuyuni Partner			43,694	
Payments of Loans from Cuyuni Partner	(5,000)			
Proceeds of Notes and Loans from Related Parties	16,022	32,911		21,349
Payments of Notes and Loans from Related Parties	(10,000)	(2,798)		
Proceeds of Loans - Other		(932)	3,739	
Payments of Loans - Other	(24,642)	11,508		
Proceeds of Note Payable - Bank			16,710	
Payments of Note Payable - Bank	(3,838)		(4,880)	
Proceeds of Note Payable - Bank - Revolving Credit		3,696	11,369	5,846
Payments of Note Payable - Bank - Revolving Credit	(5,816)		(21,217)	
Net Cash Provided by Financing Activities	159,309	44,385	153,931	116,195
Effect of Exchange Rate Changes	12,430	89,348	(19,474)	58,761
Increase (Decrease) in Cash and Cash Equivalents	63,192	16,847	(14,960)	379

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

Cash and Cash Equivalents	Beginning	3,456	18,416	18,416	18,037
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and Cash Equivalents	Ending	\$ 66,648	\$ 35,263	\$ 3,456	\$ 18,416
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

</R>

The accompanying notes are an integral part of the financial statements.

F-5

SOUTH AMERICAN MINERALS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Continued)

<R>

	For the Nine Months Ended September 30,		For the Year Ended December 31,	
	2004	2003	2003	2002
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(Unaudited)	(Unaudited)		(Unaudited)
Supplemental Cash Flow Information:				
Cash Paid for Interest	\$ 2,142	\$	\$ 9,704	\$ 9,611
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash Paid for Income Taxes	\$ 1,252	\$	\$ 1,103	\$ 1,378
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-Cash Financing Activities:				
Common Stock Issued to Cuyuni Partner in Connection with Partnership Agreement	\$	\$ 9,000	\$ 9,000	\$ 60,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Common Stock Issued as Payment of Notes and Loans Payable Other	\$ 25,566	\$	\$	\$
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Common Stock Issued for Payment of Accrued Expenses	\$	\$	\$	\$ 2,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Options Granted as Debt Issuance Expense	\$	\$	\$ 749	\$ 8,164
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

</R>

The accompanying notes are an integral part of the financial statements.

F-6

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and September 30, 2003 and the year ended December 31, 2002 is unaudited)

</R>

NOTE 1 - *Description of Business*

South American Minerals, Inc. (*SAMI*) was organized in the state of Nevada in 1967. All of our operations are conducted by our wholly-owned subsidiary, North American Resources, Inc. Ltd., (*NARIL*) a Corporation organized under the laws of the Government of Guyana, South America.

SAMI and its wholly owned subsidiary *NARIL* are hereafter collectively referred to as the Company .

<R>

SAMI, through *NARIL*, is engaged in dredging for alluvial placer gold on the Konawaruk River in Guyana, South America. The Companies activities at present are considered prospecting since they do not have any reserves.

</R>

North American Resources, Inc. Ltd.

Pursuant to a January 27, 1999 agreement, as amended, *SAMI* and *NARIL* entered into a Mining Joint Venture Agreement in the Republic of Guyana known as The Cuyuni River Venture (the Cuyuni Venture) with Cuyuni River Venture #1 LLC, a Delaware Limited Liability Company (Cuyuni Partner) consisting of unaffiliated stockholders. The principal activity of the Cuyuni Venture is that of exploration and mining for gold and other precious metals.

<R>

The Cuyuni Venture operates a gold dredging operation on the Konawaruk River in Guyana. *NARIL* is the managing member. Pursuant to the Cuyuni Venture agreement, *NARIL* provides and selects the properties, prospects and/or claims to be mined by the two barges owned by Cuyuni Venture. To the extent that *NARIL* operates two or less barges in Guyana, all gold and other mineral deposits mined from such operations is owned by the Cuyuni Venture. To the extent that *NARIL* operates more than two barges in Guyana, the gold and other mineral deposits mined from all such barges is aggregated together and the amount of gold owned by the Cuyuni Venture is the quotient of two divided by the number of operating barges. The balance of the gold and other mineral deposits, if any, is owned by *NARIL*. *NARIL* owns two barges on its own.

</R>

Cuyuni Partner contributed \$475,000 for a 25% capital and profit and loss sharing interest and *NARIL* contributed \$105,000 for a 75% capital and profit and loss sharing interest in the Cuyuni Venture. The initial term of the Cuyuni Venture is 10 years, at which time it terminates unless the parties agree to extend it or, if an independent geological report indicates that there is sufficient mining opportunity to continue commercial production, Cuyuni LLC has the right to extend the Cuyuni Venture. In addition, the Cuyuni Venture is terminable by one partner where the other partner ceases to exist, winds up, enters receivership or bankruptcy or materially breaches the partnership agreement.

In February 2002, *SAMI* issued 300,000 shares of its stock to Cuyuni Partner and increased Cuyuni Partner s capital and profit and loss interest to 35%, while decreasing its own capital and profit and loss interest to 65%. This was effected by mutual agreement of the parties to satisfy certain guaranteed minimum requirements to the Cuyuni Partner under the Cuyuni Venture Partnership Agreement for the year ended December 31, 2001.

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and September 30, 2003 and the year ended December 31, 2002 is unaudited)

</R>

NOTE 2 - *Summary of Significant Accounting Policies*

Principles of Consolidation

The consolidated financial statements include the accounts of SAMI and its wholly-owned and majority-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

<R>

The Company accounts for the Cuyuni Venture (see Note 1) as a subsidiary, since at September 30, 2004 and December 31, 2003 it owned 65% of the Cuyuni Venture equity.

</R>

Cash and Cash Equivalents

The Company considers those short-term, highly liquid investments with original maturities of three months or less as cash equivalents.

Property and Equipment

<R>

Property and equipment is recorded at cost. General exploration costs, repairs and maintenance and costs to maintain rights and leases are expensed as incurred. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the related assets.

</R>

Revenue Recognition

<R>

Revenues from sales of minerals are recognized only upon receipt of final settlement funds, which occurs upon delivery. The Company sells its gold to the Guyanese Gold Board at world market prices.

</R>

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Income Taxes

The Company records deferred income taxes using the liability method as prescribed under the provision of SFAS No. 109. Under the liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement and income tax bases of the Company's assets and liabilities. An allowance is recorded, based upon currently available information, when it is more likely than not that any or all of the deferred tax asset will not be realized. The provision for income taxes includes taxes currently payable, if any, plus the

net change during the year in deferred tax assets and liabilities recorded by the Company.

F-8

SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and September 30, 2003 and for the year ended December 31, 2002 is unaudited)

</R>

NOTE 2 - *Summary of Significant Accounting Policies (Continued)*

Fair Value of Financial Instruments

The carrying amount of the Company's financial instruments, including cash and cash equivalents, accounts payable, accrued expenses, loans and notes payable approximated fair value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates approximate current market rates for financial instruments with similar maturities and terms.

Deferred Finance Costs

Deferred finance costs are carried at cost, less accumulated amortization over the related life of the related debt.

Stock-Based Compensation

The Company accounts for stock-based compensation to its employees using the intrinsic value method in accordance with provisions of the Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations which requires the recognition of compensation expense over the vesting period of the option when the exercise price of the stock option granted is less than the fair value of the underlying common stock. Additionally, the Company complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123 Accounting for Stock Based Compensation (SFAS 123) and provides pro forma disclosure of net loss and loss per share as if the fair value method has been applied in measuring compensation expense for stock options granted. Stock-based compensation related to options and warrants granted to non-employees is recognized using the fair value method in accordance with SFAS 123 and Emerging Issues Task Force (EITF) No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. Compensation costs are amortized in a manner consistent with Financial Accounting Standards Board Interpretation No. 28 (FIN No. 28), Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans. The Company uses the Black-Scholes options pricing model to value options, restricted stock grants and warrants granted to nonemployees.

Net Loss Per Common Share

Basic net loss per share is computed by dividing net loss for the period by the weighted average number of common shares outstanding during that period.

Because the Company is incurring losses, the effect of stock options and warrants is antidilutive. Accordingly, the Company's presentation of diluted net loss per share is the same as that of basic net loss per share.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consists principally of cash and cash equivalents. The Company at times maintains cash balances at financial institutions which

exceed the Federal Deposit Insurance Corporation limit of \$100,000.

F-9

*SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003*

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and September 30, 2003 and for the year ended December 31, 2002 is unaudited)

</R>

NOTE 2 - *Summary of Significant Accounting Policies (Continued)*

Environmental Remediation Costs

Environmental remediation costs are accrued based on estimates of known environmental remediation exposure. Such accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. It is reasonably possible that the Company's estimates of reclamation liabilities, if any, could change as a result of changes in regulations, extent of environmental remediation required, means of reclamation or cost estimates. Ongoing environmental compliance costs, including maintenance and monitoring costs, are expensed as incurred. There were no environmental remediation costs accrued to date.

Foreign Currency Translation

Assets and liabilities of the Company's Guyanese subsidiaries are translated to US dollars using the current exchange rate for assets and liabilities. Amounts on the statement of operations are translated at the average exchange rates during the period. Gains or losses resulting from foreign currency translation are included as a component of other comprehensive income (loss).

Comprehensive Income (Loss)

Comprehensive income (loss) which is reported on the accompanying consolidated statement of stockholders' deficiency as a component of accumulated other comprehensive income (loss) consists of accumulated foreign translation gains and losses.

Recently Issued Accounting Pronouncements

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*. SFAS No. 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation* to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements for the year ended December 31, 2003. SFAS No. 148 did not have a material impact on the Company's consolidated financial statements, as the adoptions of this standard does not require the Company to change, and the Company does not plan to change, to the fair value based method of accounting for stock-based compensation.

NOTE 3 - *Going Concern*

Basis of Presentation

The Company incurred net losses of \$295,273 and \$416,060 during the years ended December 31, 2003 and 2002, respectively. In addition, the Company had a working capital deficiency of \$971,867 at December 31, 2003.

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

Furthermore, the Company had a stockholders' deficiency of \$488,260 at December 31, 2003. These factors, amongst others, raise substantial doubt about the Company's ability to continue as a going concern.

F-10

SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and September 30, 2003 and for the year ended December 31, 2002 is unaudited)

</R>

NOTE 3 - *Going Concern (Continued)*

Basis of Presentation (Continued)

There can be no assurance that sufficient funds required during the next year or thereafter will be generated from operations or that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. Further, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on the Company's existing stockholders. Management's plans are discussed in Note 16.

The accompanying consolidated financial statements do not include any adjustments related to the recoverability or classification of assets carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

NOTE 4 - *Accrued Expenses - Related Parties*

Accrued expenses to related parties consist of amounts owed to certain officers and directors and their affiliates for salaries, interest and other expenses.

NOTE 5 - *Property and Equipment*

Property and equipment consists of the following:

<R>

	<u>September 30, 2004</u>	<u>December 31, 2003</u>	<u>Estimated Useful Lives</u>
	(Unaudited)		
Mining Equipment	\$ 1,768,547	\$ 1,768,547	5 Years
Furniture and Fixtures	57,774	51,443	7 Years
Motor Vehicles	28,646	28,646	5 Years
Boats and Pontoons	20,513	20,513	10 Years
	<u>1,875,480</u>	<u>1,869,149</u>	
Less: Accumulated Depreciation	<u>1,554,460</u>	<u>1,495,082</u>	

\$ 321,020 \$ 374,067

Depreciation expense was \$59,378 and \$60,260 for the nine months ended September 30, 2004 and 2003, respectively and \$87,275 and \$104,786 for the years ended December 31, 2003 and 2002, respectively.

</R>

F-11

SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and September 30, 2003 and for the year ended December 31, 2002 is unaudited)

</R>

NOTE 6 - *Related Party Transactions*

<R>

The Company sublets executive office space in New York from a company whose president and chairman of the board of directors is one of our officers and directors. The current rent is \$750 per month on a month-to-month basis. Rent expense was \$6,750 for the nine months ended September 30, 2004 and 2003, respectively, and \$9,000 and \$7,000 for the years ended December 31, 2003 and 2002, respectively. The Company also incurred general office expenses paid to the aforementioned party in the amounts of \$0 and \$125 for the nine months ended September 30, 2004 and 2003, respectively, and \$5,393 and \$110 for the years ended December 31, 2003 and 2002, respectively. The Company was indebted to the aforementioned party in the amounts of \$28,503 and \$28,503 at September 30, 2004 and December 31, 2003, respectively for the above expenses.

The Company incurred interest expense on related party loans in the amounts of \$2,245 and \$2,101 for the nine months ended September 30, 2004 and 2003, respectively, and \$4,201 and \$3,953 for the years ended December 31, 2003 and 2002, respectively.

</R>

NOTE 7 - *Stockholders Deficiency*

Recapitalization

On February 22, 2002 SAMI effected a change in par value of its common stock, and reduced from \$.20 par value to \$.10 par value and increased its authorized common shares to 25,000,000 shares. All amounts have been retroactively restated to reflect this par value change.

Options

The following table summarizes option activity during the following periods:

<R>

Options Outstanding	Price of Options Grant	Weighted Average Exercise Price
------------------------	------------------------------	---------------------------------------

Outstanding at December 31, 2001

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

(Unaudited)	306,250	\$	1.00	\$	1.00
Expired in 2002	(56,250)	\$	1.00	\$	1.00
Granted in 2002	100,000	\$.10	\$.10
<hr/>					
Outstanding at December 31, 2002 (Unaudited)	350,000				
Expired in 2003	(250,000)	\$	1.00	\$	1.00
Granted in 2003	50,000	\$.15	\$.13
<hr/>					
Outstanding at December 31, 2003	150,000				
Exercised in 2004	(150,000)	\$.10-.15	\$.12
<hr/>					
Outstanding at September 30, 2004 (Unaudited)					

</R>

F-12

SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and September 30, 2003 and for the year ended December 31, 2002 is unaudited)

</R>

NOTE 7 - *Stockholders Deficiency (Continued)*

Common Stock

During the year ended December 31, 2002 the Company issued 300,000 shares of common stock valued at \$60,000 to Cuyuni Partner in lieu of guaranteed minimum distribution for 2001. The Company also issued 890,000 shares of common stock pursuant to a private placement for gross proceeds of \$89,000. The Company issued 50,000 shares of common stock valued at \$12,500 to NARIL's chief executive officer pursuant to an employment agreement and 25,000 shares of common stock valued at \$2,500 to an unrelated party for services. The Company issued 25,000 shares valued at \$2,500 for payment of accrued expenses and issued common stock purchase options for 100,000 shares as consideration for extending the due date of a loan. The Company recorded \$8,164 of deferred finance costs in connection with the issuance of the stock option.

During the year ended December 31, 2003 the Company issued 60,000 shares of common stock valued at \$9,000 to Cuyuni Partner as distributions. The Company also issued 1,070,000 shares of common stock pursuant to a private placement for gross proceeds of \$107,000. The Company incurred expenses on the sale of \$2,484. The Company issued 50,000 shares of common stock valued at \$12,500 to NARIL's chief executive officer pursuant to an employment agreement. The Company issued 25,000 shares of common stock valued at \$2,500 to an unrelated party for services. The Company issued common stock purchase options for 50,000 shares as consideration for extending the due date of a loan. The Company recorded deferred finance costs of \$749 in connection with the issuance of the stock option.

<R>

During the nine months ended September 30, 2004 the Company issued 1,790,000 shares of common stock pursuant to a private placement for gross proceeds of \$179,000. The Company incurred expenses on the sale of \$3,917. The Company also issued 255,656 shares of common stock as consideration for the payment of a note payable in the amount of \$25,566. The Company issued 6,000 shares valued at \$600 to an unrelated party for services. The Company also issued 150,000 shares of common stock upon exercise of options by one person for proceeds of \$17,500. The Company issued 200,000 shares of common stock to directors for services rendered valued at \$54,000 and 25,000 shares of common stock to an employee for services rendered valued at \$6,750.

</R>

NOTE 8 - *Income Taxes*

For the years ended December 31, 2003 and 2002, actual income tax expense differed from the amount computed by applying the U.S. Federal corporate income tax rate of 34% to pre-tax earnings, as a result of valuation allowances netted against other potential deferred tax assets.

The tax effects of temporary differences that gave rise to the deferred tax assets and deferred tax liabilities at December 31, 2003 and 2002 were primarily attributable to net operating loss carry-forwards.

For income tax purposes, the Company had available net operating loss carryforwards (NOL) at December 31, 2003 of approximately \$292,000 to reduce future federal taxable income, if any. The NOL s expire at various dates through 2023. There may be certain limitations as to the future annual use of the NOL s due to certain changes in the Company s ownership.

The Company had deferred tax assets of approximately \$99,000 at December 31, 2003 resulting primarily from net operating loss carryforwards. The deferred tax assets have been fully offset by a valuation allowance resulting from the uncertainty surrounding their future realization. The difference between the federal statutory rate of 34% and the Company s effective tax rate of 0% is due to an increase in the valuation allowance of approximately \$65,000.

F-13

SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and September 30, 2003 and for the year ended December 31, 2002 is unaudited)

</R>

NOTE 9 - *Other Comprehensive Income (Loss) Supplemental Non-Cash Investing Activities*

Other Comprehensive income (loss) consists of accumulated foreign translation gains and losses and is summarized as follows:

<R>

Balance	January 1, 2002 (Unaudited)	\$	(226,501)
	Equity Adjustment from Foreign Currency Translation		47,894
			(178,607)
Balance	December 31, 2002 (Unaudited)		(178,607)
	Equity Adjustments from Foreign Currency Translation		(5,672)
			(184,279)

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

Balance	December 31, 2003	(184,279)
Equity Adjustments from Foreign Currency Translation		(22,738)
		(207,017)
Balance	September 30, 2004 (Unaudited)	\$ (207,017)

</R>

NOTE 10 - *Minority Interest*

<R>

Minority interest in the Company's 65% owned Cuyuni Venture subsidiary at September 30, 2004 and December 31, 2003 represents the excess of the minority interest loss and distributions over its proportionate capital.

</R>

NOTE 11 - *Note Payable Bank Revolving Credit*

Note payable bank consists of the following:

<R>

	September 30, 2004	December 31, 2003
	(Unaudited)	
This represents an overdraft credit facility of up to approximately \$30,087 with the bank, with interest at 17.5% per annum, payable on demand. The note is secured by all the assets of the Company. Interest is payable monthly. (see Note 15)	\$ 28,792	\$ 34,608

</R>

NOTE 12 - *Loan Payable Other*

Loan payable to others consists of the following:

<R>

	September 30, 2004	December 31, 2003
	(Unaudited)	
Loan payable, at 8% simple interest, payable on demand	\$ 95,000	\$ 95,000
Loan payable other, with interest at 8% per annum, Payable to the Estate of the Lender	36,218	35,439
Loan payable other, with interest at 8% per annum, due April 2004.		25,421
	\$ 131,218	\$ 155,860

</R>

SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and September 30, 2003 and for the year ended December 31, 2002 is unaudited)

</R>

NOTE 13 - *Notes and Loans Payable - Related Parties*

Notes and loans payable to related parties consist of the following:

<R>

	September 30, 2004	December 31, 2003
	(Unaudited)	
Note payable - director's affiliate, with interest at 21.75% per annum, payable on demand	\$ 94,333	\$ 78,111
Loan payable - Director and President, with interest at 8% per annum, payable on demand	35,525	35,525
Loan payable - wife of the Company's President, with interest at 8% per annum, payable on demand		10,000
Loan payable - Executive Vice President, with interest at 8% per annum, payable on demand	6,990	6,990
	\$ 136,848	\$ 130,626

</R>

NOTE 14 - *Loans Payable - Cuyuni Partner*

Loans payable to Cuyuni Partner consist of the following:

<R>

	September 30, 2004	December 31, 2003
	(Unaudited)	
Loans payable to Cuyuni Partner bearing interest at 8% per annum and payable on demand.	\$ 38,694	\$ 43,694

</R>

NOTE 15 - *Long-Term Debt*

Long-term debt consists of the following:

<R>

	September 30, 2004	December 31, 2003
	<u> </u>	<u> </u>
	(Unaudited)	
Note payable bank, with interest at 17.5% per annum, payable March 2006. The loan is secured by all of the assets in the Company. (See Note 11)	\$ 7,992	\$ 11,830
Less current portion, above	<u>4,860</u>	<u>4,881</u>
	<u>\$ 3,132</u>	<u>\$ 6,949</u>

</R>

F-15

SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and
September 30, 2003 and for the year ended December 31, 2002 is unaudited)

</R>

NOTE 15 - *Long-Term Debt (Continued)*

Scheduled maturities of long-term debt at December 31, 2003 are as follows:

<u>Year Ending December 31,</u>	
2004	\$ 4,881
2005	5,729
2006	<u>1,220</u>
	<u>\$ 11,830</u>

NOTE 16 - *Liquidity and Going Concern Uncertainty*

The Company has incurred net losses of \$295,273 and \$416,060 during the years ended December 31, 2003 and 2002. This factor, among others, raises substantial doubt about the Company's ability to continue as a going concern (see Note 3).

<R>

Specific plans to obtain funding for an expanded operation in Guyana include: (i) the obtaining of financing in order to proceed with the operations, (ii) the raising of capital through the sale of the Company's common stock, (iii) increased production and (iv) locate areas containing higher gold values.

</R>

There is no assurance, however, that any of the Company's proposed plans to obtain financing, raise capital and otherwise fund operations will prove successful. The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient funding as discussed above and its inability to do so will delay or cease the Company's planned operations as discussed above.

NOTE 17 - *Commitments and Contingencies*

<R>

Royalty Agreements

</R>

The Company has various agreements with numerous permit holders to perform mining activities upon their claims. The agreements have royalty payments ranging from \$0 to 10% of the gross value of gold, precious metals and stones sold. These agreements expire at various times through July 31, 2005

On April 4, 2002 the Company entered into an agreement with NARIL's Chief Executive Officer whereby he grants the Company, at no cost, the exclusive rights to mine certain properties licensed to him.

<R>

Employment Agreement Hassan

On July 31, 2003 the Company's agreement with NARIL's chief executive officer expired. It was extended by mutual agreement for an additional year. Pursuant to its terms, Mr. Hassan was to be issued 50,000 shares of common stock upon expiration of the contract (see Note 19).

In August 2004 the Company signed an employment agreement with the chief executive officer of NARIL. It calls for compensation of \$90,000 annually plus health and other benefits. Upon execution of the agreement, 100,000 shares of common stock are to be issued plus an annual bonus of 100,000 shares. The Agreement runs for a one year period (see Note 19).

</R>

F-16

SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and September 30, 2003 and for the year ended December 31, 2002 is unaudited)

</R>

NOTE 17 - *Commitments and Contingencies (Continued)*

<R>

Employment Agreement Hassan (Continued)

Pursuant to the agreement, the Company provides housing quarters for the Chief Executive Officer of NARIL in Georgetown, Guyana.

Lease Agreements

Edgar Filing: South American Minerals, Inc. - Form 10SB12G/A

The Company leases housing quarters for the chief executive officer of NARIL pursuant to a lease that began on February 1, 2004 and terminates on January 31, 2007.

Approximate future minimum payments under this lease are as follows:

<u>Year Ending December 31,</u>	
2004	\$ 16,500
2005	18,000
2006	18,000
2007	1,500
	<u>\$ 54,000</u>

Rent expense under this and the prior lease was approximately \$13,500, \$12,400, \$15,000 and \$15,000 for the nine months ended September 30, 2004 and 2003 respectively, and for the years ended December 31, 2003 and 2002, respectively.

The Company occupies office space in Georgetown, Guyana under an operating lease with an unaffiliated third party that commenced on July 1, 2001 and terminates on September 30, 2006. In addition to base rent, the lease calls for payment of utilities and has a five year renewal option.

</R>

Approximate future minimum payments under this lease are as follows:

<u>Year Ending December 31,</u>	
2004	\$ 24,000
2005	24,000
2006	12,000
	<u>\$ 60,000</u>

<R>

Rent expense under this lease was approximately \$18,000, \$18,000, \$24,000 and \$24,000 for the nine months ended September 30, 2004 and 2003, respectively and for the years ending December 31, 2002 and 2003, respectively.

</R>

F-17

SOUTH AMERICAN MINERALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003

<R>

(Information as of September 30, 2004 and for the nine months ended September 30, 2004 and September 30, 2003 and for the year ended December 31, 2002 is unaudited)

</R>

NOTE 17 - *Commitments and Contingencies (Continued)*

<R>

Lack of Insurance

</R>

The Company is not insured against any losses or liabilities that could arise from its operations. The payment of such liabilities could have a material adverse effect on the Company's financial position and, depending on the extent of such liability, could result in the total loss of its assets and operations.

NOTE 18 - *Litigation*

The Company is not presently a party to any material litigation, NARIL is a defendant in a civil action that commenced in January 2000. NARIL believes that it has good defenses and counterclaims, and any outcome would not have a material effect on these financial statement.

NOTE 19 - *Subsequent Events (Unaudited)*

Stock Issuances

<R>

During November 2004 the Company issued 100,000 shares of common stock pursuant to the terms of an employment agreement (see Note 17).

</R>