GLAMIS GOLD LTD
Form 6-K
April 01, 2004

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934

Current Report for the period March, 2004

GLAMIS GOLD LTD.

(Translation of registrant s name into English)
5190 Neil Rd., Suite 310, Reno, Nevada 89502

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-________

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Signatures

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 19, 2003	GLAMIS GOLD LTD. (Registrant)
	By: /s/ Cheryl S. Maher
	Cheryl S. Maher Chief Financial Officer

	2003	2002	2001
Gold ounces produced	**230,294**	251,919	230,065
Average revenue per ounce	**$ 368**	$ 313	$ 272
Average market price per ounce	**$ 363**	$ 310	$ 271
Total cash cost per ounce	**$ 184**	$ 160	$ 172
Total production cost per ounce	**$ 262**	$ 236	$ 216
Gold production (ounces)			
San Martin Mine	**101,835**	129,435	114,216
Marigold Mine (66.7%)	**94,796**	55,550	56,525
Rand Mine	**33,663**	66,934	59,324
Total	**230,294**	**251,919**	**230,065**
Total cash cost per ounce of production			
San Martin Mine	**$ 175**	$ 106	$ 120
Marigold Mine	**$ 172**	$ 180	$ 179
Rand Mine	**$ 242**	$ 247	$ 265
Company average	**$ 184**	$ **160**	$ **172**
Total cost per ounce of production			
San Martin Mine	**$ 269**	$ 203	$ 169
Marigold Mine	**$ 243**	$ 257	$ 211
Rand Mine	**$ 298**	$ 284	$ 310
Company average	**$ 262**	$ **236**	$ **216**
Working capital (millions)	**$ 145.4**	$ 169.1	$ 53.4
Cash provided from operations (millions)	**$ 33.9**	$ 33.8	$ 18.5
Cash provided from operations (per share)	**$ 0.26**	$ 0.34	$ 0.25
Net earnings for the period (millions)	**$ 18.0**	$ 13.7	$ 4.8
Earnings per share	**$ 0.14**	$ 0.14	$ 0.07
Average shares outstanding	**128,118,980**	98,823,366	73,585,155

GLAMIS SHARE PERFORMANCE VS. GOLD PRICE, HUI & XAU INDICES

Over the past year, Glamis made considerable progress in advancing our near-term strategic goal of growth to an annual production rate of 500,000 gold ounces at a total cash cost well below $150 per ounce. We now expect to surpass this goal by more than 100,000 ounces in 2006, one year ahead of schedule. In addition, the Board of Directors has approved a new five-year plan that projects an increase to more than 700,000 ounces in the following year.

We are constructing two new low-cost mines in Mexico and Guatemala and planning for another expansion of our Marigold mine in Nevada. Furthermore, we have succeeded in expanding gold reserves through focused regional exploration programs at Marigold, El Sauzal and Marlin, where we are fortunate to have very large, prospective land packages. These efforts will provide the Company with a solid platform to maintain higher production levels, at significantly lower costs, while it finds and develops additional growth opportunities.

This solid track record has once again demonstrated Glamis considerable technical skills as a mine developer and operator. Combined with the excellent cash generation from our existing operations and our strong financial position, the Company has secured its position as a leading intermediate gold producer. Furthermore, our unhedged status allows Glamis to take full advantage of the higher gold prices that the market has seen of late.

In 2003, North American stock markets again recognized the Company s continued excellent performance as it once again outperformed both the spot gold price and the gold stock indices. Glamis share price increased by 51 percent on the New York Stock Exchange in 2003 and has advanced more than 1000 percent over the past three years.

Expanding Operations

One of the major highlights of 2003 was the successful phase one expansion at our 66.7-percent-owned Marigold mine near Winnemucca, Nevada. Marigold poured its one-millionth ounce of gold near the end of 2002 and achieved a new production record in 2003. Glamis two-thirds share of gold production increased to 94,800 ounces at a total cash cost of $172 per ounce. As a result of the expansion, Glamis anticipates an increase to more than 110,000 ounces of gold in 2004 at a total cash cost of less than $170 per ounce.

Since Glamis acquired its two-thirds interest in Marigold in 1999, it has implemented a number of productivity improvements that have substantially increased annual production and its financial contribution to the Company. Marigold will continue to play a key role in Glamis future as we are already laying the groundwork for phase two, which expands gold production to over 240,000 ounces of gold per year.

In its third full year of production, gold production at our 100-percent owned San Martin mine in Honduras declined by approximately 20 percent after two record years that exceeded all expectations. The decline was mainly due to leach pad solution issues that were resolved in the fourth quarter of 2003. Barring additional discoveries, annual gold production has peaked at San Martin and total cash costs will rise over time as we begin mining lower grade ore from the Palo Alto pit. However, capital spending at San Martin is planned to be minimal over its projected six-year mine life and the mine will continue to be an excellent cash flow generator during that period. We are now reinvesting these dividends in our future growth.

During 2003, Glamis made rapid progress in the construction of the El Sauzal gold project in Mexico. Following the approval to proceed by the Board of Directors in November 2002, the Company secured all necessary permits and commenced construction of an access road, power line, camp facilities and mine site. All are proceeding on target and on budget. We expect El Sauzal to begin gold production the fourth quarter of 2004, well ahead of the original schedule. Annual gold production is expected to average 190,000 ounces at an estimated total cash cost of $110 per ounce over a 10-year mine life. Proven and probable reserves at El Sauzal are approximately 2 million ounces of gold at an average grade of 3.4 grams of gold per tonne. The timely and successful development of the El Sauzal project is a top priority for Glamis and a key step in achieving the Company s overall production goals. Furthermore, recent work indicates the potential for additional discoveries around El Sauzal and in the surrounding land package is much greater than we first thought.

The 100-percent owned Marlin project in Guatemala has also advanced in dramatic fashion. From the time we received Board of Directors approval, the key permits have been secured and full-scale engineering work commenced in the first quarter of 2004. We expect Marlin to become the Company s largest and most profitable operation when it enters full production in the first quarter of 2006 as a combination open pit and underground mine. Projected average annual production is 217,000 ounces of gold and 3.3 million ounces of silver over a 10-year mine life. Total cash costs are expected to be less than $100 per ounce of gold net of silver byproduct credits.

We believe that there is ample opportunity to substantially extend the life of Marlin project and increase the gold and silver production rates with more exploration. Glamis has a 100-percent interest in a large land position surrounding the Main zone that is of special significance. Our geological staff have already identified three very promising showings as well as a number of other potential targets in the immediate area. This leads us to believe that Marlin could develop into a major new gold-producing district controlled by Glamis. The Company is a strong believer in the favorable geology and business opportunities in Guatemala.

Expanded Exploration

Glamis future growth strategy emphasizes exploration more strongly than ever. Over the past three years, carefully planned, disciplined exploration programs on and around our existing mines and projects have led to numerous discoveries that have enabled the Company to steadily add to reserves and resources. At the Marlin project alone, ongoing exploration has added more than 2 million ounces of proven and probable gold reserves. The success of these efforts has led Glamis to significantly expand exploration spending to $9.5 million in 2004. The bulk of this amount will be spent in Guatemala, Nevada and Mexico.

Strengthening Shareholder Value

Glamis will continue to pursue every means at its disposal to enhance shareholder value as we have done so successfully over the past several years. Glamis strategy of acquiring properties at the bottom of the gold-price cycle has paid off dramatically, as the exploration and feasibility stages on these properties have led to a growth profile second to none in our industry. We have developed the reserves and mine plans to ensure robust earnings and cash flows from our new mines. Furthermore, the success of our recent exploration programs give us confidence that this growth trend will continue.

Equally important to our success is the Company s financial strength. At year-end, Glamis held cash and cash equivalents amounting to $126 million and working capital of $145 million. With no debt and a very simple capital structure, this strong financial position, when combined with cash flows from operations, will fund construction of new mines in Mexico and Guatemala.

Glamis is projecting capital expenditures of $225 million over the next two years, with $150 million to be spent in 2004 and $75 million in 2005. These expenditures will bring El Sauzal to commercial production, provide for construction of the Marlin project and continuation of the Marigold expansion process.

We are fully on track to achieve our 2007 goal of producing 700,000 ounces of gold annually at a total cash cost well below $150. In doing so, the Glamis team is extremely well positioned to continue delivering its superior shareholder value.

On behalf of management and the Board of Directors, we are grateful to all of the employees of Glamis Gold Ltd. who have worked long hours throughout the year and again demonstrated their considerable talents to make our Company a success. The coming months will be truly exciting for our shareholders.

Kevin McArthur
President and CEO

San Martin Mine
Honduras / Open Pit / Workforce: 277

The San Martin mine in Honduras has been the Company s largest and most profitable gold operation since it first reached commercial production in early January 2001. The mine is located 90 kilometers by road north of Tegucigalpa, the capital city of Honduras. The nearest community, about five kilometers from the mine, is the town of San Ignacio, which supplies most of the mine s labor force.

San Martin is a conventional open pit heap leach operation originally designed to produce approximately 80,000 ounces of gold per year.

The deposit consists of two separate mineralized zones, Rosa and Palo Alto. Based on subsequent optimization studies, the Company reached a decision to increase production by as much as 50 percent during the first few years of operation. This served to substantially improve the economic return of the project with only a modest increase in capital spending.

Gold production peaked in 2002 when the company produced a record 129,435 ounces at a total cash cost of $106 per ounce. In 2003, gold production was 101,835 ounces at a total cash cost of $175 per ounce. Production during the year was below expectations as the mine experienced delays in gold recoveries due to leach pad solution issues that persisted into the third quarter of the year. These issues were successfully resolved in the final quarter of 2003.

During the latter half of the year, mining shifted from the Rosa pit to the Palo Alto pit where ore grades and recoveries are projected to be somewhat lower.

Gold production at San Martin is forecast to exceed 100,000 ounces again in 2004 but is expected to decline gradually, first to 90,000 ounces then to 80,000 ounces annually over the remainder of the six-year mine life with a corresponding increase in total cash costs. However, major capital spending is

Strong free cash flows from San Martin are being re-invested into the Company s growth programs

over at San Martin, and strong free cash flows are being re-invested into the Company s growth programs.

Glamis is continuing its exploration program around the mine site and has filed for permits to commence drilling at the nearby Minitas property. The Company will also continue drilling mineralized structures encountered last year below the Palo Alto pit.

The San Martin mine was the Company s first commercial venture outside of the United States and has been a major step forward for Glamis. The high productivity and low-cost mining methods developed at the Picacho and Rand mines were applied with equal success in the operation of San Martin. In Honduras, Glamis also developed its successful formula to seek local involvement in all phases of the project. This knowledge has served the Company well in the development of subsequent projects in Latin America.

Marigold Mine
Nevada / Open Pit / Workforce: 140

The Marigold mine is situated in the northwest-trending Battle Mountain trend, one of the most prolific mining districts in Nevada. The mine is located approximately 40 miles southeast of Winnemucca near the community of Valmy.

Marigold is a conventional, run-of-mine heap leach operation that achieved the distinction of pouring its one-millionth ounce of gold near the end of 2002. Glamis acquired its 66.7-percent operating interest in 1999, and since that time, has capitalized on the considerable talents of its Marigold employees to substantially enhance the economic returns from the property. This was accomplished mainly by transforming it from a relatively small milling operation into a very large, highly productive heap leach mine. The complete re-engineering of Marigold led to a reduction in unit costs, which in turn allowed Glamis to significantly lower the cut-off grade. Subsequent exploration efforts have yielded almost a four-fold increase in gold reserves.

In 2003, Glamis two-thirds share of gold production from the Marigold mine increased to a record 94,800 ounces compared to 55,550 ounces in 2002. Mainly as a function of the increased productivity, total cash costs decreased to $172 per ounce compared to $180 per ounce in the prior year. As a result of expanded capacity and significant operating improvements, Glamis expects Marigold production to rise to approximately 170,000 ounces of gold in 2004, on a 100-percent basis.

During the past year, Glamis successfully implemented the phase one expansion. Also in 2003, Glamis discovered Terry Zone North (TZN) on the prospective Section 7 area of the Marigold property and additional mineralization around current and former open pits. The Marigold partnership immediately authorized an additional one million dollar drill program for in-fill drilling and to extend these deposits. As a direct result of these discoveries, Glamis has embarked upon a further expansion of Marigold.

Glamis has embarked upon a further expansion of Marigold that will raise gold production on a 100 percent basis to more than 240,000 ounces per year

With the success of the on-going Marigold exploration program, proven and probable reserves gold reserves, on a 100 percent basis, increased to more than 2.2 million ounces of gold at year-end. This does not include any contribution from the TZN zone, which remains a resource, pending further in-fill drilling. In total, the Marigold property encompasses approximately 29 square miles and Glamis believes that there are excellent opportunities for additional discoveries and further reserves growth.

Marigold Expansion

Discoveries made during 2003, including the TZN zone, led Glamis to initiate phase two as recommended by a positive scoping study completed in early 2004. Also at this time, the Company received the Record of Decision from the Bureau of Land Management formally approving mining in the Millennium area of Marigold.

Construction activities to facilitate the new mine plan commenced in February 2004. To support the accelerated mining rate, Glamis has placed orders for a fleet of 320-ton trucks and other associated mining equipment for delivery in mid-year. In addition, the Company has stepped up its Marigold exploration program to extend and provide in-fill data on the TZN zone and other targets while converting mineral resources to proven and probable reserves.

Once phase two is fully implemented, annual gold production at Marigold, on a 100 percent basis, is expected to exceed 240,000 ounces annually.

Rand Mine
California / Reclamation / Workforce 15

The Rand mine is located in the historic Randsburg mining district of California, approximately 100 miles northeast of Los Angeles and 30 miles southwest of the town of Ridgecrest. The mine commenced operating in 1987 and has produced approximately one million ounces of gold to date. Active mining was completed in January 2003, however leaching operations will continue throughout 2004 concurrent with the final reclamation and rinsing of the Rand heap. Rand mine is a reclamation showplace. Four of the five processing facilities have now been closed in accordance with rigorous state and federal standards. Revegetation of the heaps is underway. In addition, the re-sloping of rock stockpiles has been completed, providing sculpted landforms for improved water run-off control and enhanced vegetation habitat.

El Sauzal Project ~ Chihuahua State / Mexico / Open Pit
Reserves: 2.0 million ounces of gold

Glamis 100-percent-owned El Sauzal gold property is located 250 kilometers southwest of Chihuahua City and approximately 65 kilometers northeast of the city of Choix, the nearest major population center. Despite the property s remote location, Glamis has made excellent progress to date. The project is now ahead of the original schedule and is slated for start-up in the fourth quarter of 2004.

El Sauzal has been designed as an open pit conventional oxide-milling project. Mill capacity was optimized at 5,500 tonnes per day and annual production is projected to average 190,000 ounces of gold at an estimated total cash cost of $110 per ounce over a 10-year mine life. The Company anticipates mill start-up in the fourth quarter of 2004 and expects to recover approximately 35,000 ounces of gold by year-end. The project internal rate of return, based on a $300 per ounce gold price, exceeds 25 percent.

The timely and successful development of the El Sauzal project is a top priority for Glamis and a key step in achieving the Company s production goal of 700,000 gold ounces per year at a total cash cost of well below $150 per ounce. All permits have been received, the access road from Choix to the property is complete and construction of the mine site itself is well underway. Site preparations have been completed and structural work for the mill and other processing facilities is in progress.

To date, a proven and probable gold reserve of two million ounces has been defined at the El Sauzal property. Initially, it was thought that opportunities to substantially increase this amount were somewhat limited. However, recent work indicates potential to extend mineralization

Our strong financial position will allow us to grow production and complete construction of new mines in Mexico and Guatemala.

in the West Lip, East and East Dike areas. In addition, two other mineralized centers have been identified within one and one-half kilometers of the mine site. Glamis controls a total of seven exploration concessions comprising 10,250 hectares that surround the El Sauzal deposit, where the Company s regional exploration program has identified a number of targets that will be examined in 2004.

Marlin Project ~ Guatemala / Open pit / Underground
Reserves: 2.2 million ounces of gold; 34 million ounces of silver

The Marlin Project is located in the western highlands of Guatemala, 48 kilometers southwest of the city of Huehuetenango, which in turn, is approximately 300 kilometers by road north-west of the capital, Guatemala City. The project lies within a highly prospective land package of approximately 100,000 hectares in Western Guatemala.

The Glamis Board of Directors approved the updated Marlin feasibility study in November 2003. This study incorporated ongoing exploration results that increased proven and probable reserves by 40 percent to 2.2 million ounces of gold and 34 million ounces of silver. By year-end, the Guatemalan government granted key environmental permits and the exploitation license, which allowed development and mining to proceed. Construction commenced in the first quarter of 2004.

The Marlin project will be developed as a combination open pit and underground mine. Annual production is expected to average 217,000 ounces of gold and 3.3 million ounces of silver over a 10-year mine life. Total cash costs are estimated to be $93 per ounce, net of silver by-product credits. Milling capacity will be 4,000 tonnes per day with three quarters of the mill feed coming from the open pit and the remainder from higher-grade underground ore. Metallurgical test work has indicated excellent recovery

Once Marlin achieves commercial production, it is expected to become the Company s largest and most profitable gold asset

rates of greater than 90 percent for gold and 80 percent for silver.

The capital cost for Marlin is estimated at $120.3 million, including a contingency of $11 million. The feasibility study assumes the purchase of new equipment. However, the Company has opted for existing processing components that reduce capital requirements and may possibly lead to an earlier start-up date. At present, commercial production is slated for the first quarter of 2006. Once Marlin achieves commercial production, it is expected to become the Company s largest and most profitable gold asset.

During the construction phase, Glamis will continue its drill program at the Main zone, which remains open along strike to the west and at depth. The Company also plans to drill test the La Hamaca, Coral and Vero zones in 2004, three of the most promising mineral occurrences outside of the Main zone discovered to date. In addition, Glamis plans to carry out regional exploration programs on its Western Guatemala land package to identify other prime targets.

The Company is hopeful of further discoveries at Marlin and its goal is to develop its extensive land holdings into a major new gold producing district.

Marlin Project - Open Pit and Underground Mine

Throughout its corporate history, Glamis has grown by value-added acquisitions and subsequent exploration and development. These acquisitions have been made at or near the bottom of the gold price cycle and have greatly enhanced shareholder value. Consequently, the Company has tended to focus on exploration programs largely confined to areas around existing mines and development projects.

Glamis is in the fortunate position of controlling very large land positions around its most important gold assets and has now implemented regional programs in addition to local mine and project site exploration. To this end, Glamis has dramatically increased exploration spending to $9.5 million in 2004. More than 60 percent of the total is earmarked for Guatemala, 20 percent for Nevada, and the balance between Mexico and Honduras.

The 2004 Guatemala program will be directed principally toward drill testing the area between the proposed Main zone and Los Cochis open pits, the La Hamaca and Coral zones to the north of the Main zone, and the Vero zone to the south. Regional work is also planned to identify and drill at least two additional targets in the 100,000-hectare land package surrounding the initial Marlin discovery.

During 2003, the Company accelerated its highly productive Marigold exploration program which significantly extended mineralization around current and former pit areas. The program also led to the discovery of the TZN zone in the prospective Section 7 area of the property to the north of current mining operations. As a result of the continued exploration success, the Company completed a scoping study

Glamis controls very large land positions around its most important gold assets

supporting a significant increase in the mining rate and annual gold production. Glamis believes that there are excellent opportunities for further discoveries of oxide mineralization at depth and through the extension of existing deposits. Up to six drill rigs will be active on the property throughout the year.

At El Sauzal in Mexico, further exploration has provided solid indications that there is greater reserve growth potential than originally thought. The West Lip East and East Dike targets in particular will receive more attention, as will two mineralized areas within one and one-half kilometers of the main deposit. In addition, a cursory regional study has identified major silicified zones where the geology closely resembles that of the main deposit.

The current emphasis is to complete mine construction, however, geologic mapping and sampling efforts will continue in preparation for drilling later in the year.

Most of the past exploration in Honduras has been confined to the San Martin mine site in areas between and adjacent to the Rosa and Palo Alto pits. This will continue throughout 2004 and the Company also plans to follow up on some high-grade intersections previously encountered below the Palo Alto pit. Additionally, Glamis plans to drill the nearby Minitas prospect as soon as permits are received and to conduct work on two other promising concessions in Honduras during 2004.

El Sauzal - Exploration Targets

Glamis is recognized for its total commitment to environmental excellence. From the earliest stages, whether it be exploration or active mining, all of the Company s activities are designed and carried out to minimize environmental risk and impact on the local surroundings. This involves careful planning to incorporate concurrent and final reclamation into all of its mine plans and the design of new projects.

Glamis developed much of its environmental expertise in the reclamation of its California and Nevada mines, for which the Company designed and implemented innovative procedures in a variety of settings. Glamis has since refined and developed a very successful formula that is both simple and effective and applies it equally to all operations, domestic and offshore. The formula includes:

Comprehensive concurrent and final reclamation to re-contour waste rock stockpiles, leach pads, and process sites to blend in with the natural landscape.

Replacement of topsoil to disturbed areas followed by extensive seeding programs to re-establish all species of native flora.

Application of the latest technological advances wherever feasible.

Conducting stringent environmental audits at all of its operations to ensure that they comply with rigorous North American standards.

During the past year, Glamis made considerable progress in reclamation of its Daisy and Dee mines in Nevada. Daisy is expected to achieve complete site closure in 2004 and Dee in 2005. At the Rand mine in California, final reclamation efforts have been completed in all areas except the Rand heap from which gold is still being recovered. Final closure of the site is anticipated in late 2005. Turning to active operations, Glamis has concurrently reclaimed the upper portions of the Rosa pit at its San Martin mine in Honduras along with the re-contouring and capping of the former tailings facility at the Company s Marigold mine in Nevada.

Glamis is dedicated to the economic production of gold in the safest and most environmentally sound manner possible for the benefit of our employees, local communities and our shareholders. As we strive for the maximum in productivity and low unit costs at all operations, it is the Company s firm belief that productivity and health and safety go hand in hand.

The Company continues to pursue its ultimate objective of not just minimizing accidents in the work-place, but eliminating them altogether. In order to achieve this, Glamis has developed comprehensive training and safety programs at all of its operations that adhere closely to the following guidelines:

Compliance with all safety rules and regulations is mandatory.

All employees are trained on a continuing basis to work as safely and responsibly as possible and incentives are provided to do so.

Employees are directly involved in developing safe working practices and seeing that the highest standards possible are maintained.

Health and safety concerns are incorporated into all business decisions.

Stringent but achievable health and safety targets continue to be set.

Safe working practices are a condition of employment.

No accident is acceptable.

Glamis asks a great deal of its employees, who have consistently contributed to the Company s success. Glamis, in turn, is committed to providing a healthy and safe environment for all of its employees.

Glamis endeavors to work closely with all levels of government to ensure total compliance with all rules, regulations, and standards. Glamis focuses on supporting local communities and their needs and strives to keep local residents informed of all major developments and the Company s future plans.

At the San Martin mine in Honduras, the Company formally incorporated these guidelines into the mine development plan. This included a proactive program to keep federal authorities and local communities totally informed at all stages of the project. As part of the program, Glamis also made every effort to involve the local community in the decision-making process during and after construction. The Company also committed itself to aiding local schools and constructing medical and dental facilities in the local community. In addition, Glamis formed a foundation to fund schools and other community projects.

This same level of commitment to social and community sustainability is being applied to the design and operation of the El Sauzal project in Mexico and the Marlin project in Guatemala.

Through focused exploration programs, Glamis continues to grow its proven and probable reserves. The Company s large resource base and significant land positions around its operations and development projects provide a ready source for continued growth in reserves. Proven and probable reserves increased by 27 percent to 6.28 million ounces of gold in 2003.

As of December 31, 2003[1]	**Tons**	**Gold Grade (oz/ton)**	**Gold Ounces**	**Silver Grade (oz/ton)**	**Silver Ounces**
San Martin	30,564,800	0.021	654,500		
Marigold[2]	62,210,200	0.024	1,474,300		
El Sauzal	20,185,600	0.098	1,986,900	0.11	2,248,500
Marlin	15,590,300	0.139	2,164,900	2.15	33,570,900
Total	128,550,900	0.049	6,280,600		35,819,400

Notes

1. Proven and probable reserves have been calculated as of December 31, 2003 in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on August 20, 2000. Employees of Glamis Gold Ltd., under the supervision of James S. Voorhees, Vice President, Operations and Chief Operating Officer, have prepared these calculations. An independent audit of these reserves has been completed. Calculations were based on an assumed long-term gold price of $325 per ounce and a silver price of $5.00 per ounce and incorporate current or expected operating costs at each mine.

2. These amounts represent Glamis Gold s two-thirds interest in Marigold.

Growth in Proven and Probable Gold Reserves

Management s Discussion and Analysis of
Financial Condition and Results of Operations

This management s discussion and analysis of the financial results of the Company s operations for the years 2001 through 2003 should be read in conjunction with, and is qualified by, the consolidated financial statements and notes thereto (the financial statements) which form a part of this report. This financial information, which is expressed in United States dollars unless otherwise stated, was prepared in accordance with accounting principles generally accepted in Canada. Reference should be made to Note 15 of the financial statements for a reconciliation of Canadian and U.S. generally accepted accounting principles.

The following discussion contains statements that are not historical facts, and by their nature are considered forward looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. See also Forward Looking Statements at the end of this discussion.

OVERVIEW

2003 was a year of challenge and achievement for the Company. Construction on the El Sauzal Project in Mexico began in earnest as the last major federal authorization required for construction and exploitation was acquired in the second quarter. At the Marlin Project in Guatemala, the year included completion of a positive feasibility study followed by Board of Directors approval for construction, and then in December, receipt of the exploitation permit. The Company produced 230,294 ounces of gold and sold 228,219 ounces. The Marigold Mine increased production to over 142,000 ounces of gold (94,796 for the Company s account). The San Martin Mine production declined to 101,835 ounces of gold as leach pad chemistry problems encountered in the first quarter took the better part of the year to correct. The Rand Mine successfully entered reclamation mode while still producing 33,663 ounces of gold. The Company s unhedged production allowed it to take advantage of realized gold prices that averaged 17.6% higher in 2003 than in 2002.

Under a Share Purchase Agreement effective February 12, 2003, the Company agreed to sell its 50% interest in the Cerro San Pedro Project to Metallica Resources Inc. (Metallica) for proceeds of $13.0 million plus additional payments of $5.0 million based on the mine being put into commercial production, and a net smelter return royalty of up to 2%, depending on the price of gold. The Company received $2.0 million on closing of this transaction, $5.0 million on August 12, 2003, and received $6.0 million on February 12, 2004. The $2.5 million due on commencement of commercial production, the $2.5 million due twelve months thereafter, and the royalty are considered contingent and have not been recorded in the financial statements.

RESULTS OF OPERATIONS FOR THE YEARS ENDED
DECEMBER 31, 2003, 2002, 2001

SUMMARY

The Company continued its profitable performance in 2003 with net earnings of $18.0 million, or $0.14 per share. For 2002, the Company had net earnings of $13.7 million, or $0.14 per share, and in 2001, the Company had net earnings of $4.8 million, or $0.07 per share.

All of the Company s mining operations were profitable in 2003 and generated earnings from operations of $22.6 million, compared to $19.6 million in 2002 and $12.2 million in 2001. The 17.6% increase in the realized price of gold was the primary reason for the increase over 2002.

The Company continues to generate positive cash flows from operations. Cash flows from operations (before changes in non-cash working capital and reclamation expenditures) were $33.9 million for 2003 compared to $33.8 million for 2002 and $18.5 million in 2001. The Company s working capital was $145.4 million at December 31, 2003, including cash and equivalents of $126.1 million. This compares to working capital of $169.1 million at December 31, 2002, including cash and equivalents of $160.0 million, and working capital of $53.4 million and cash of $45.9 million at December 31, 2001. In 2003, the Company spent $77.8 million in capital expenditures for mineral property, plant and equipment. Exploration expense was $5.6 million. All expenditures were from cash on hand and internally-generated funds. Capital expenditures and exploration expense for 2004 are budgeted at $147.1 million.

SUPPLEMENTAL QUARTERLY DATA

The Company s quarterly information for the last eight quarters is shown below:

(amounts in million of US$)	1st Q 2002	2nd Q 2002	3rd Q 2002	4th Q 2002	1st Q 2003	2nd Q 2003	3rd Q 2003	4th Q 2003
Average realized price of gold	$ 292	$ 313	$ 318	$ 326	$ 348	$ 353	$ 371	$ 402
Revenues [1]	$18.3	$20.3	$19.8	$22.4	$20.8	$21.7	$19.0	$22.5
Net Income [2]	$ 3.2	$ 3.4	$ 2.4	$ 4.7	$ 1.9	$ 3.9	$ 3.5	$ 8.7

(1) Net sales and total revenues are the same.

(2) Income from continuing operations and net income are the same.
Refer to the discussions in this document as well as the quarterly Management s Discussion and Analyses for additional information.

The fourth quarter of 2003 was positively impacted by continued increases in the price of gold. In addition, the Company recognized a gain on the sale of the Company s interest in the Cerro San Pedro project ($1.5 million), and recognized a recovery of $3.0 million related to future income tax.

Gold Production and costs per ounce

The Company produced 230,294 ounces of gold during 2003, as compared to 251,919 ounces of gold during 2002, and 230,065 ounces of gold in 2001. Production in all three years was from the San Martin, Marigold and Rand Mines. The Company expects to produce approximately 265,000 ounces of gold in 2004 from four mines: San Martin, Marigold, Rand, and El Sauzal, which is scheduled to start operations during the fourth quarter.

	2003			2002			2001		
Mine	Gold ounces	Cash cost per ounce	Total cost per ounce	Gold ounces	Cash cost per ounce	Total cost per ounce	Gold ounces	Cash cost per ounce	Total cost per ounce
San Martin	101,835	$ 175	$ 269	129,435	$ 106	$ 203	114,216	$ 120	$ 169
Marigold*	94,796	172	243	55,550	180	257	56,525	179	211
Rand	33,663	242	298	66,934	247	284	59,324	265	310
Total/average cost	230,294	$ 184	$ 262	251,919	$ 160	$ 236	230,065	$ 172	$ 216

* This represents the Company s 66.67% share of Marigold.
Following is a discussion of the Company s operations during 2003:

San Martin Mine, Honduras

The major challenge during 2003 at the San Martin Mine was dealing with the production shortfalls resulting from leach pad chemistry problems encountered early in the year. The imbalance in the pH of the heap was exacerbated by continuing drought conditions in Honduras that persisted until late in the year. Mining moved into the Palo Alto pit in the third quarter and will be the focus of mining for the balance of the mine life. Capital expenditures were related to leach pad construction and development in the Palo Alto pit. San Martin is budgeted to produce approximately 102,000 ounces of gold in 2004. Proven and probable reserves stood at 654,500 ounces of gold at the end of 2003.

Marigold Mine, Nevada (66.7% Glamis-owned)

The Company is the operator at the Marigold Mine, a partnership operation with Barrick Gold Corporation. Marigold had a year of record production, adding 94,796 ounces of gold to the Company s account. Marigold continues to add to reserves with year-end 2003 reserves of 1.47 million ounces of gold compared to 1.36 million ounces at the end of 2002. The purchase, in mid-2004, of four 320-ton trucks will accelerate development and lead to production of approximately 110,000 ounces of gold for the Company s account in 2004, and an expected 140,000 ounces of gold in 2005. In early February 2004, Marigold received a positive Record of Decision (ROD) on its Supplemental Environmental Impact Statement from the Bureau of Land Management (BLM). This will allow full development of the Millennium expansion project. Construction activities in the southern portion of the property are expected to begin immediately.

Rand Mine, California

The Rand Mine entered its first full year of reclamation. Substantial progress was made on site closure and reclamation. Excess equipment and spare parts inventory was sold or transferred to the development projects. Rand continues to process gold from the leach pad, producing 33,663 ounces at a total cash cost per ounce of $242 during 2003, and is budgeted to produce approximately 15,000 ounces of gold during 2004. Cyanide is still being added to the Rand heap, but rinsing should begin later this year. Reclamation is expected to be completed in 2005.

PROJECTS

El Sauzal Project, Chihuahua, Mexico

The Company acquired the El Sauzal Project through the acquisition of Francisco Gold Corp. (Francisco) in July 2002. A feasibility study on the project was completed prior to closing of the Francisco acquisition and based on that study, and subsequent work performed by the Company, a $101 million capital project was approved by the Board of Directors in late 2002. During 2003, all major permits were received and construction progressed in several areas. The access road running from Choix, in Sinaloa state, to the project is expected to be completed late in the first quarter of 2004. Substantial work has been completed on the camp site, mill site, shop and warehouse sites and haul roads. Purchasing and expediting of major plant and equipment is well underway. The project budget is on track, with $70.0 million in expenditures budgeted for 2004. Construction is expected to continue through most of 2004, with a planned fourth quarter start-up and estimated production of 35,000 ounces of gold for the year.

Marlin Project, Guatemala

The Marlin Project was also acquired as part of the Francisco acquisition. At the end of 2002, the project had been expanded from a mineral resource of 1.4 million gold-equivalent ounces to over 4 million gold-equivalent ounces. Additional drilling in 2003 established a reserve of 2.2 million gold ounces along with 33.6 million ounces of silver. Late in the first quarter of 2003 a positive feasibility study was completed and presented to the Board of Directors at the first quarter meeting. The Board approved development of the project and in November 2003, formal approval of the construction budget was given. In late 2003, the Marlin Project obtained its environmental license and exploitation permit. Project expenditures of approximately $120 million are planned over the next two years, with an anticipated startup early in 2006.

Cerro San Pedro Project, San Luis Potosi, Mexico

As noted in the overview, on February 12, 2003, the Company agreed to sell its 50% interest in the Cerro San Pedro Project to Metallica for proceeds of up to $13.0 million plus additional payments of $5.0 million based on the mine being put into commercial production and a net smelter return royalty of up to 2%, depending on the price of gold.

Cerro Blanco Project, Guatemala

In 2003, structural analysis on the deposit was completed, revealing the potential to increase resources by drilling additional targets on the property. An exploration program for 2004 has been developed, with drilling to commence in the first quarter of 2004.

Imperial Project, California

In 2002, the Company recommenced the permitting process for the Imperial Project. Concurrently, the BLM completed a validity examination of the unpatented mining claims comprising the project and concluded that the mining claims are valid. However, during 2003, legislative and administrative actions were taken by the State of California to require that any new open pit metallic mines be completely back-filled at the completion of mining. The Company believes that these actions were taken directly to attempt to delay or stop the Company s Imperial Project, as a requirement to back-fill renders the project uneconomic. Consequently, the Company has filed a Notice of Arbitration against the United States pursuant to the North American Free Trade Agreement. The notice alleges that the Company s property rights in the Imperial Project in California have been unlawfully taken by various actions of the United States and the State of California, for which it is entitled to compensation. The Company is seeking recovery of the value of the Imperial Project, pre- and post-award interest and various costs incurred by the Company. The Company cannot predict how long it may take to complete this legal process or whether it will be successful in its action.

RECLAMATION ACTIVITIES

The Company s reclamation and closure activities were centered on final closure and reclamation at the Dee and Daisy Mines and beginning the reclamation of the Rand Mine. The Company spent $3.3 million on reclamation activities in 2003, primarily at the Rand and Dee Mine sites. The reclamation on tailings facility #2 at Dee was completed in 2003, and reclamation on tailings facility #1 is awaiting final solution evaporation and grading in 2004. The Company spent $2.5 million during 2002 and $2.6 million during 2001 on reclamation. The Company plans to spend approximately $1.3 million in 2004 on site closure and reclamation, primarily at the Rand Mine, with final expenditures at Dee.

REVENUES

Revenues from production increased to $84.0 million for the year ended December 31, 2003 from $80.8 million for the year ended December 31, 2002 and $64.3 million for the year ended December 31, 2001. The increase in revenues is the result of a significantly stronger realized gold price offset by a reduction of 11.5% in the number of ounces sold. The Company sold 228,219 ounces of gold during 2003 compared to 257,759 ounces sold in 2002, and 235,397 ounces sold in 2001. The Company realized an average of $368 per ounce of gold sold in 2003 compared to $313 per ounce of gold sold in 2002, and $272 per ounce of gold sold in 2001.

COST OF PRODUCTION

The Company s total cash cost of production includes mining, processing, direct mine overhead costs and royalties, but excludes selling, general and administrative costs at the corporate level, depreciation and depletion costs and site closure and reclamation accruals. Total production costs include depreciation and depletion and site closure and reclamation accruals. There is a difference between cost of sales and cost of production relating to the difference in the cost of the additional ounces sold out of inventory during the year. In the Company s case however, there is no significant difference in the total cash cost per ounce of production and total cash cost per ounce sold. The number of gold ounces produced in 2003 was 230,294 compared to the number of ounces of gold actually sold of 228,219.

Cash costs of production should not be considered as an alternative to operating profit or net profit attributable to shareholders, or as an alternative to other Canadian or U.S. generally accepted accounting principle measures and may not be comparable to other similarly titled measures of other companies. However, the Company believes that cash costs of production per ounce of gold, by mine, is a useful indicator to investors and management of a mine s performance as it provides: (i) a measure of the mine s cash margin per ounce, by comparison of the cash operating costs per ounce by mine to the price of gold; (ii) the trend in costs as the mine matures; and (iii) an internal benchmark of performance to allow for comparison against other mines.

The Company s cost of sales for the year ended December 31, 2003 was $41.6 million compared to the $41.1 million in the year ended December 31, 2002 and $40.5 million for the year ended December 31, 2001. Although there was a decrease of 29,540 ounces of gold sold in 2003, cost of sales increased as a result of increased total cash costs of production per ounce. Total cash cost per ounce of gold increased to an average of $184 per ounce from $160 per ounce in 2002 and $172 per ounce in 2001. The increased cost of production at San Martin was the most significant factor in the increase of cash cost per ounce.

In 2003, the total cost of production per ounce rose to $262 from $236 per ounce in 2002. The average total cost of production per ounce of gold was $216 per ounce in 2001. Depreciation and depletion charges totaled $17.0 million during 2003 compared to $17.9 million during 2002 and $12.7 million during 2001. Changes in the depreciation and depletion expense are attributable to changes in the reserve base as well as production levels, as many charges are made on a unit-of-production basis. The decline in overall depreciation and depletion charges in 2003 is due to reduced production and sales.

OTHER INCOME AND EXPENSES

The Company expended $9.3 million on exploration during 2003 of which $5.6 million was expensed and $3.7 million capitalized to the related mineral property. The most significant expenses were at the Marlin Project, where $3.0 million was spent on pre-feasibility exploration and development, the Marigold Mine, which accounted for $1.4 million, and the Cerro Blanco Project where $0.6 million was expended. $2.6 million was capitalized at Marlin and $1.1 million at Marigold for reserve additions and in-fill drilling. During 2002, $3.2 million was spent on exploration in addition to $2.9 million expended on the Marlin Project that was accounted for as part of the Francisco acquisition. Exploration expense was $1.7 million during 2001.

General and administrative expenses increased to $5.9 million in 2003 from $4.6 million in 2002 and $4.4 million in 2001. In 2003, the Company incurred increased expenses related to support for the new development projects, uncompleted financing costs and business development.

The Company had no write-downs or recoveries associated with properties during 2003 or 2002, and in 2001 recognized a recovery of $1.3 million relating to over-accruals of reclamation and site closure liabilities on properties acquired in the 1999 Rayrock Resources Inc. acquisition.

Interest and other income recognized by the Company increased to $4.4 million during 2003 compared to $2.3 million in 2002 and $1.1 million in 2001. Significant items in 2003 included the gain recognized on the sale of the Company s investment in the Cerro San Pedro Project ($1.5

million) and interest received on a tax refund relating to previous years ($1.0 million). Interest income from the Company s investments increased to $1.8 million as invested cash balances averaged over $125 million during 2003. Foreign exchange losses were $0.4 million and other miscellaneous income from sales of assets totaled $0.5 million. In 2002, interest income was $0.9 million, foreign exchange gains were $0.8 million and other income was $0.6 million. The 2001 amount includes interest and miscellaneous other income of $1.5 million, gains on disposals of assets of $0.5 million, and a foreign exchange loss of $0.1 million which was offset by a payment of $0.8 million on share appreciation rights made to a former Rayrock Resources Inc. officer.

For 2002 and 2003, the future income tax expense was due primarily to tax-effecting the earnings from the San Martin mine, resulting in future income tax expense of $1.8 million in 2003 and $0.8 million in 2002. In 2003, the valuation allowance related to U.S. tax losses was reduced, resulting in a recovery of $3.0 million

LIQUIDITY AND CAPITAL RESOURCES

Working Capital and Cash Flow

The Company s working capital position remained strong at $145.4 million at December 31, 2003, as the Company s mining operations produced $40.5 million in cash flows. The significant improvement to $169.1 million at December 31, 2002 from $53.4 million at December 31, 2001 was due primarily to the common share offering in November 2002, which netted the Company $110.6 million in cash, and the balance from cash flows from the operating units net of capital expenditures.

Cash flow from operations (before changes in non-cash working capital and reclamation expenditures) was $33.9 million in 2003 compared to $33.8 million in 2002 and $18.5 million in 2001. The 2003 amount reflects increases in revenues due to the higher gold price offset by reduced production and sales and increased costs per ounce. The 2002 cash flows reflect higher gold prices, increased production and improved cash costs per ounce compared to 2001. Net cash provided by operating activities, which includes the non-cash working capital changes and cash expenditures on the reclamation properties, declined to $27.0 million in 2003 as accounts receivable increased reflecting large value-added tax receivables related to the construction at the El Sauzal Project. The net cash flow from operating activities was $28.3 million in 2002 and $11.8 million in 2001.

Long-term liabilities were $88.2 million at December 31, 2003. The long-term portion of the reserve for site reclamation and closure was $6.0 million, a reduction from the $6.9 million at December 31, 2002 and the $8.4 at December 31, 2001. The reduction is due to significant expenditures since 2001 on site closure and reclamation totaling $8.4 million over three years. The liability for future income tax at December 31, 2003 was $82.2 million compared to $70.4 million as at December 31, 2002 ($9.4 million at December 31, 2001). This consists of approximately $60.0 million recorded in connection with the purchase price of Francisco in 2002 and $10.0 million related to the tax effect of the shares issued to former shareholders of Montana Gold Corp. in 2003 (also see Capital Resources). The balance in future income tax liabilities consists primarily of amounts recorded in connection with the purchase of the San Martin property as well as the result of tax-effecting the earnings from San Martin. The Company continues to have no long-term debt.

Capital Resources

During 2003 the Company paid $1.6 million to Chesapeake Gold Corp. and issued 2.2 million common shares of the Company valued at $20.7 million to former shareholders of Montana Gold Corp. upon filing of the technical report with the Toronto Stock Exchange establishing the reserves at Marlin, pursuant to the terms of the 2002 Plan of Arrangement with Francisco Gold Corp. In 2002, the Company sold 13.9 million common shares in a public offering resulting in proceeds to the Company of Cdn$175.7 million (US$111.7 million). Transaction costs associated with the offering were $1.1 million.

On July 16, 2002, the Company completed the acquisition by way of a plan of arrangement of Francisco Gold Corp. Francisco s principal assets were the El Sauzal Project and the Marlin Project. The Company issued 25.8 million common shares valued at $124.5 million to the shareholders of Francisco under the terms of the plan of arrangement.

No dividends are planned to be declared or paid in 2004 as the Company s cash is being used for the development activities at El Sauzal, Marlin and Marigold. No dividends were paid or declared in 2003, 2002 or 2001.

In the course of its business, the Company may issue debt or equity securities to meet the growth plans of the Company if it determines that additional funding could be obtained under favorable financial terms. No assurance can be given that additional funding will be available or, if available, will be on terms acceptable to the Company.

Capital Expenditures

The Company s capital expenditures increased significantly to $77.8 million during 2003 as construction at the El Sauzal Project and the Marlin Project began and expansion at the

Marigold Mine continued. Capital expenditures rose to $32.5 million during 2002, from $14.8 million in 2001, due primarily to the expansion at Marigold and the Francisco acquisition. Expenditures in 2001 focused on expansion at Marigold and San Martin.

Major capital expenditures during the fiscal year 2003 were as follows:

	(in millions)
El Sauzal Project development and purchase of equipment	$ 43.8
Marlin Project development and purchase of equipment	16.1
Marigold Mine development and purchase of equipment	14.1
San Martin Mine development and purchase of equipment	3.5
Other	0.3
	$ 77.8

Included in the above were $1.1 million and $2.6 million of exploration expenditures that were capitalized relating to expanded reserves at Marigold and Marlin, respectively.

Capital expenditures and funds for exploration in 2004 are estimated to be approximately $160.0 million. The primary capital expenditures are expected to be for plant, equipment and development of the El Sauzal Project ($70.0 million), equipment purchases and development at the Marlin Project ($61.6 million), equipment purchases and development for the Marigold Mine expansion ($20.3 million), and leach pad expansion and development at the San Martin Mine ($2.0 million). Exploration is planned primarily at the Marlin Project and Marigold, with additional work in Guatemala, Mexico and Honduras.

The Company believes that estimated cash flows from operations and current cash reserves will be sufficient to fund its anticipated 2004 expenditures.

HEDGING

At December 31, 2003, December 31, 2002 and at December 31, 2001, the Company had no ounces hedged.

COMMITMENTS AND CONTINGENCIES

In the course of its normal business, the Company incurs various contractual commitments and contingent liabilities. These are illustrated in the table below:

(amounts in millions of U.S. dollars)

Contractual Obligations	Less than one year	1 - 3 years	4 - 5 years	More than 5 years	Total
Operating leases	$ 0.5	$ 0.6	$ 0.5		$ 1.6
Minimum royalty payments	$ 0.6	$ 0.9	$ 0.6	$ 1.7	$ 3.8
Construction and equipment purchase contracts	$ 28.1				$28.1

Contingencies	Less than one year	1 - 3 years	4 - 5 years	More than 5 years	Total
Future site closure and reclamation costs(1)	$ 1.3	$ 1.1	$ 2.5	$15.1	$20.0

(1) In the Company s financial statements, $1.3 million of these obligations are included in current liabilities and $6.0 million in long-term liabilities. The Company has $9.5 million in certificates of deposit as collateral backing these obligations.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company has 200,000,000 shares of common stock authorized, of which 130,233,878 are outstanding as of March 1, 2004. The Company also has outstanding 4,015,500 stock options as of March 1, 2004, each of which is exercisable into one common share.

ENVIRONMENTAL, REGULATORY AND OTHER RISK FACTORS

Reclamation and Environmental

The Company generally is required to mitigate long-term environmental impacts by stabilizing, contouring, reshaping and re-vegetating various portions of a site once mining and processing are completed. Reclamation efforts are conducted in accordance with detailed plans that have been reviewed and approved by the appropriate regulatory agencies. Whenever feasible, reclamation is conducted concurrently with mining operations.

Standard leaching techniques have been designed to comply with environmental requirements imposed by regulatory authorities. Due to the impervious qualities of the heap leach pad and the closed nature of the leaching system, the Company believes that its mining operations have no materially adverse effect on the environment. However, the Company cannot guarantee that such will not occur.

Tailings impoundments have been constructed at the Company s Dee and Marigold mines. Milling operations have been suspended indefinitely at the Marigold Mine and significant work was performed in 2002 and 2003 to reclaim the tailings impoundment. The facility has been completely covered, with final contouring and re-seeding planned for 2004. At the Dee Mine, milling operations were completed early in 2001 and reclamation of the tailings impoundments are nearly complete. Tailings impoundments pose certain risks to the environment including the potential for groundwater contamination and wildlife mortalities. The Company operates all of its tailings facilities in substantial compliance with applicable rules and regulations. Tailings facilities will be reclaimed in accordance with state-approved reclamation plans.

Though the Company believes that its mining operations are in material compliance with all present health, safety and environmental rules and regulations, there is always some uncertainty associated with such due to the complexity and application of such rules and regulations. The Company does not anticipate that the cost of compliance with existing environmental laws and regulations will have a material impact on its earnings in the foreseeable future. However, possible future health, safety and environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. The Company made no material capital expenditures for environmental control facilities during 2003, 2002 and 2001, except for expenditures for the leach pad construction at San Martin and Marigold mines. The Company estimates that it will spend approximately $8.0 million in this area during the year ending December 31, 2004 including leach pad construction at San Martin ($1.2 million) and Marigold (Company s share -$2.8 million), the tailings system at El Sauzal ($3.0 million) and initial work on the tailings impoundment at Marlin ($1.0 million). At the corporate level, an Environmental Policy is in place to assure measurable standards for internal environmental audits for review by the Environment Committee of the Board of Directors. The Committee has been active and is satisfied the Company is complying with regulatory parameters.

As of December 31, 2003, the Company had in place $9.5 million in letters of credit ($7.1 million at December 31, 2002) backed by certificates of deposit, and $3.8 million in reclamation bonds ($3.8 million at December 31, 2002) issued as security for future reclamation costs.

Legal and Regulatory

Legislation has been introduced in prior sessions of the U.S. Congress to make significant revisions to the U.S. General Mining Law of 1872 that would affect the Company s unpatented mining claims on federal lands, including a royalty on gold production. It cannot be predicted whether any of these proposals will become law. Any levy of the type proposed would only apply to unpatented federal lands and accordingly could adversely affect the profitability of portions of the gold production from the Marigold mine, and all production from the Imperial Project if it were to be developed.

Other Risk Factors

The Company s mineral development and mining activities and profitability are subject to significant risks due to numerous factors outside of its control including, but not limited to, the price of gold, changes in the regulatory environment, various foreign exchange fluctuations and risks inherent in mining. Refer to the Company s Annual Information Form for additional discussions of risk factors.

Because the Company has no production hedged, any sustained change in the price of gold over or under current levels will appreciably affect the Company s general liquidity position and could substantially increase or decrease revenues, earnings and cash flow.

Acquisition of title to mineral properties in all jurisdictions where the Company operates is a very detailed and time-consuming process. Certain of the Company s properties have not been surveyed and therefore, in accordance with the laws of the jurisdiction in which the properties are located, their existence and area could be in doubt. Although the Company has investigated title to all of its mineral properties, the Company cannot give any assurance that title to such properties will not be challenged or impugned. In addition, portions of the Company s mineral reserves lie within unpatented mining claims in the United States. There is a risk that any of the Company s unpatented mining claims could be determined to be invalid, in which case the Company could lose the right to any mineral reserves contained within those mining claims.

The Company prepares estimates of future gold production for its various operations. The Company s production estimates are dependent on, among other things, the accuracy of mineral reserve estimates, the accuracy of assumptions regarding ore grades and recovery rates, assumptions pertaining to ground conditions and physical characteristics of ores, such as hardness and the presence or absence of particular metallurgical characteristics and the accuracy of estimated rates and costs of mining and processing. The failure of the Company to achieve its production estimates could have a material and adverse effect on any or all of the Company s future cash flows, profitability, results of operations and financial condition.

The Company s published figures for both mineral reserves and mineral resources are only estimates. The estimating of mineral reserves and mineral resources is a subjective process which depends in part on the quality of available data and the assumptions used and judgments made in interpreting such data. There is significant uncertainty in any reserve or resource estimate such that the actual deposits encountered and the economic viability of mining the deposits may differ materially from the Company s estimates.

Gold exploration is highly speculative in nature. Success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and availability of exploration capital. Due to these and other factors, no assurance can be given that the Company s exploration programs will result in the discovery of new mineral reserves or resources.

The Company conducts mining, development and exploration activities in countries other than Canada and the United States. The Company s foreign mining investments are subject to the risks normally associated with the conduct of business in foreign countries, which include, among others, invalidation of governmental orders or permits, corruption, uncertain political and economic environments, terrorist actions, arbitrary changes in laws or policies, the opposition of mining from environmental or other nongovernmental organizations and limitations on foreign ownership or the export of gold. These risks may limit or disrupt the Company s projects, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation, any or all of which could have a material and adverse effect on the Company s profitability or the viability of its foreign operations.

The Company s mining operations are subject to health, safety and environmental legislation and regulations, changes in which could cause additional expenses, capital expenditures, restrictions and delays in the Company s activities, the extent of which cannot be predicted.

The Company also invests cash balances in short-term investments that are subject to interest rate fluctuations. Because these investments are in highly liquid, short-term instruments, the Company believes that any impact of an interest rate change would not be material.

CRITICAL ACCOUNTING POLICIES

The preparation of its consolidated financial statements requires the Company to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenues and expenses. The Company s accounting policies are described in note 2 to its consolidated financial statements. The Company s accounting policies relating to work-in-progress inventory valuation, depreciation and amortization of property, plant and equipment and mine development costs, and site reclamation and closure accruals are critical accounting policies that are subject to estimates and assumptions regarding reserves, recoveries, future gold prices and future mining activities.

The Company records the cost of mining ore stacked on its leach pads as work-in-progress inventory, and values work-in-progress inventory at the lower of cost or estimated net realizable value. These costs are charged to earnings and included in cost of sales on the basis of ounces of gold recovered. The assumptions used in the valuation of work-in-progress inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads and an assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-progress inventories, which would reduce the Company s earnings and working capital.

The Company records mineral property acquisition costs and mine development costs at cost. In accordance with Canadian generally accepted accounting principles, the Company capitalizes pre-production expenditures net of revenues received, until the commencement of commercial production. A significant portion of the Company s mineral property, plant and equipment is depreciated and amortized on a unit-of-production basis. Under the unit-of-production method, the calculation of depreciation, depletion and amortization of property, plant and equipment and mine development costs is based on the amount of reserves expected to be recovered from each location. If these estimates of reserves prove to be inaccurate, or if the Company revises its mining plan for a location, due to reductions in the price of gold or otherwise, to reduce the amount of reserves expected to be recovered, the Company could be required to write-down the recorded value of its mineral property, plant and equipment, or to increase the amount of future depreciation, depletion and amortization expense, both of which would reduce the Company s earnings and net assets.

In addition, generally accepted accounting principles require the Company to consider at the end of each accounting period whether or not there has been an impairment of the capitalized mineral property, plant and equipment. For producing properties, this assessment is based on expected future cash flows to be generated from the location. For non-producing properties, this assessment is based on whether factors that may indicate the need for a write-down are present. If the Company determines there has been an impairment because its prior estimates of future cash flows have proven to be inaccurate, due to reductions in the price of gold, increases in the costs of production, reductions in the amount of reserves expected to be recovered or otherwise, or because the Company has determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, the Company would be required to write-down the recorded value of its mineral property, plant and equipment, which would reduce the Company s earnings and net assets.

The Company has an obligation to reclaim its properties after the minerals have been mined from the site, and has estimated the costs necessary to comply with existing reclamation standards. To December 31, 2003, these costs have been accrued on a unit-of-production basis as gold is recovered and sold, based on the estimated amount of mineral reserves expected to be recovered from each location, with the aggregate amount accrued being reflected as a liability on the Company s consolidated balance sheet. If these estimates of costs or of recoverable mineral resources prove to be inaccurate, the Company could be required to increase the reserve for site closure and reclamation costs, increase the amount of future reclamation expense per ounce, or both, all of which would reduce the Company s earnings and net assets.

CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision of the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company s disclosure controls and procedures pursuant to Rule 13a-15 of the United States Securities Exchange Act of 1934 (Exchange Act). Based upon that evaluation, the Company s Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Subsequent to the date of their evaluation, there have been no significant changes in the Company s internal controls or in other factors that could significantly affect these controls.

The Company s management, including the Chief Executive Officer and Chief Financial Officer, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Forward-Looking Statements

Safe Harbor Statement under the United States Private Securities Litigation Reform Act of 1995: Except for the statements of historical fact contained herein, the information presented constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Often, but not always, forward-looking statements can be identified by the use of words such as plans , expects , budget , scheduled , estimates , forecasts intends , anticipates , believes , or variation of such words and phrases that refer to certain actions, events or results to be taken, occur or achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual results of exploration activities, actual results of reclamation activities, the estimation or realization of mineral reserves and resources, the timing and amount of estimated future production, costs of production, costs and timing of the development of new deposits, requirements for additional capital, future prices of gold, possible variations in ore grade or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labor disputes and other risks of the mining industry, delays in obtaining governmental approvals, permits or financing or in the completion of development or construction activities, the Company s hedging practices, currency fluctuations, title disputes or claims limitations on insurance coverage and the timing and possible outcome of pending litigation, as well as those factors discussed under Item 5 in the section entitled Risk Factors in the Company s Annual Information Form. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Management s Responsibility

The accompanying consolidated financial statements and all of the data included in this annual report have been prepared by and are the responsibility of management of the Company. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management s best estimates and judgements based on currently available information. The Company has developed and maintains systems of internal accounting controls in order to assure, on a reasonable and cost-effective basis, the reliability of its financial information, and that assets are safeguarded from loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board which meets with the external auditors to satisfy itself that management s responsibilities are properly discharged and to review the financial statements before they are presented to the Board of Directors for approval.

The consolidated financial statements have been audited by KPMG LLP Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

C. Kevin McArthur
President and
Chief Executive Officer
February 6, 2004

Cheryl S. Maher
Vice President Finance,
Chief Financial Officer
February 6, 2004

Auditors Report to the Shareholders

We have audited the consolidated balance sheets of Glamis Gold Ltd. as at December 31, 2003 and 2002 and the consolidated statements of operations, deficit and cash flows for each of the years in the three-year period ended December 31, 2003. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2003 in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

Chartered Accountants
Vancouver, Canada

Consolidated Balance Sheets

(Expressed in millions of United States dollars)

December 31, 2003 and 2002

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$126.1	$160.0
Accounts and interest receivable	12.3	2.1
Taxes recoverable		1.1
Inventory (note 4)	16.7	16.6
Prepaid expenses and other	1.1	0.7
	156.2	180.5
Mineral property, plant and equipment (note 5)	361.1	285.0
Other assets (note 6)	13.3	9.0
	$530.6	$474.5
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 9.4	$ 8.3
Site closure and reclamation costs, current (notes 6 and 7)	1.3	2.4
Taxes payable	0.1	0.7
	10.8	11.4
Site closure and reclamation costs (notes 6 and 7)	6.0	6.9
Future income taxes (note 10)	82.2	70.4
	99.0	88.7
Shareholders equity:		
Share capital (note 8):		
Authorized:		
200,000,000 common shares without par value		
5,000,000 preferred shares, CDN$10 par value, issuable in Series		
Issued and fully paid:		
130,133,678 (2002 - 125,978,115) common shares	465.4	437.6
Contributed surplus	6.0	6.0

Deficit	(39.8)	(57.8)
	431.6	385.8
	$530.6	$474.5

Commitments and contingencies (notes 5, 6, 7 and 14)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director Director

Consolidated Statements of Operations

(Expressed in millions of United States dollars, except per share amounts)

Years ended December 31, 2003, 2002 and 2001

	2003	2002	2001
Revenue	$ 84.0	$ 80.8	$ 64.3
Costs and expenses:			
Cost of sales	41.6	41.1	40.5
Depreciation and depletion	17.0	17.9	12.7
Site closure and reclamation (note 7)	1.3	1.4	(0.1)
Exploration	5.6	3.2	1.7
General and administrative	5.9	4.6	4.4
	71.4	68.2	59.2
Earnings from operations	12.6	12.6	5.1
Interest and other income (note 9)	4.4	2.3	1.1
Earnings before income taxes	17.0	14.9	6.2
Provision for (recovery of) income taxes (note 10):			
Current	0.2	0.4	0.3
Future	(1.2)	0.8	1.1
	(1.0)	1.2	1.4
Net earnings for the year	$ 18.0	$ 13.7	$ 4.8
Earnings per share:			
Basic	$ 0.14	$ 0.14	$ 0.07
Diluted	0.14	0.14	0.07
Weighted average common shares outstanding:			
Basic	128,118,980	98,823,366	73,585,155
Diluted	129,738,017	100,390,248	74,374,926

See accompanying notes to consolidated financial statements

Consolidated Statements of Deficit

(Expressed in millions of United States dollars)

Years ended December 31, 2003, 2002 and 2001

	2003	2002	2001
Deficit, beginning of year	$(57.8)	$(71.5)	$(76.3)
Net earnings for the year	18.0	13.7	4.8
Deficit, end of year	$(39.8)	$(57.8)	$(71.5)

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

(Expressed in millions of United States dollars)

Years ended December 31, 2003, 2002 and 2001

	2003	**2002**	**2001**
Cash flows from operating activities:			
Net earnings for the year	$ 18.0	$ 13.7	$ 4.8
Non-cash items:			
Depreciation and depletion	17.0	17.9	12.7
Accrual for site closure and reclamation	1.3	1.4	(0.1)
Future income taxes	(1.2)	0.8	1.1
Gain on sale of investments and property	(1.6)		
Other non-cash adjustments	0.4		
	33.9	33.8	18.5
Changes in non-cash operating working capital:			
Accounts receivable	(4.5)	(1.0)	(0.4)
Taxes recoverable/payable	0.4	(0.2)	0.3
Inventory	(0.2)	(4.3)	(0.7)
Prepaid expenses and other	(0.4)	0.1	(0.3)
Accounts payable and accrued liabilities	1.1	2.4	(3.0)
Site closure and reclamation expenditures	(3.3)	(2.5)	(2.6)
Net cash provided by operating activities	27.0	28.3	11.8
Cash flows from (used in) investing activities:			
Business acquisitions, net of cash acquired (note 3)	(1.6)	(6.1)	
Purchase of mineral property, plant and equipment, net of disposals	(72.0)	(24.7)	(14.5)
Proceeds from sale of investments and mineral property	6.8	0.5	0.1
Purchase of other assets, net of disposals	(1.2)	(2.2)	(0.6)
Cash used in investing activities	(68.0)	(32.5)	(15.0)
Cash flows from financing activities:			
Proceeds from issuance of common shares	7.1	118.3	35.8
Cash provided by financing activities	7.1	118.3	35.8
Increase (decrease) in cash and cash equivalents	(33.9)	114.1	32.6
Cash and cash equivalents, beginning of year	160.0	45.9	13.3

Cash and cash equivalents, end of year	$126.1	$160.0	$ 45.9
Supplemental disclosures of cash flow information:			
Cash paid (received) during the year for:			
Interest	$ (2.8)	$ (0.9)	$ (0.7)
Taxes	(3.6)	0.7	(0.4)

Non-cash financing and investing activities (notes 3 and 11)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Tables expressed in millions of United States dollars, except per share amounts)

Years ended December 31, 2003, 2002 and 2001

1. **Nature of operations:**

   The Company and its wholly owned subsidiaries are engaged in the exploration, development and extraction of precious metals principally in the States of California and Nevada in the United States of America, and in Honduras, Mexico and Guatemala.

2. **Significant accounting policies:**

(a) Generally accepted accounting principles:

These consolidated financial statements have been prepared in accordance with accounting principles and practices that are generally accepted in Canada, which conform, in all material respects, with those generally accepted in the United States, except as explained in note 15.

(b) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries and its proportionate share of the accounts of joint ventures in which the Company has an interest. All material intercompany transactions and balances have been eliminated.

(c) Cash equivalents:

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a maturity of three months or less at acquisition, that are readily convertible to contracted amounts of cash.

(d) Inventory:

(i) Finished goods inventory is metals available for sale and is stated at the lower of cost and net realizable value.

(ii) Work-in-progress inventory, which consists of ore on leach pads, is valued at the lower of average production cost and net realizable value. Production costs relate to the cost of placing the ore on the leach pad and include direct mining, crushing, agglomerating and conveying costs, as applicable, for the different mine operations. These costs are charged to operations and included in cost of sales on the basis of ounces of gold recovered. Based upon actual gold recoveries and operating plans, the Company continuously evaluates and refines estimates used in determining the costs charged to operations and the carrying value of costs associated with the ore on the leach pads.

(iii) Supplies and spare parts inventory is stated at the lower of average cost and replacement cost.

(e) Mineral property, plant and equipment:

(i) Mineral property acquisition and mine development costs:

The Company holds interests in mineral properties in various forms, including fee lands, patented or unpatented mining claims, prospecting licenses, exploration and exploitation concessions, mineral leases and surface rights. All of the interests are capitalized as mineral property acquisition costs (note 5).

(A) Property acquisition and mine development costs are recorded at cost and amortized by the unit-of-production method based on estimated recoverable reserves. Pre-production expenditures and revenues are capitalized until the commencement of commercial production. If it is determined that the deferred costs related to a property are not recoverable over its productive life, the unrecoverable portion is charged to operations in the period such determination is made.

(B) Mine development costs for current production are charged to operations as incurred. Mine development costs incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production are deferred and then amortized on a unit-of-production basis. General and administrative costs are expensed as incurred.

(C) Exploration expenditures on properties not advanced enough to identify their development potential are charged to operations as incurred. Expenditures incurred on non-producing properties identified as having development potential, as evidenced by a positive economic analysis of the project, are deferred. If a project is abandoned or it is determined that the deferred costs may not be recovered based on current economics or permitting considerations, the accumulated project costs are charged to operations in the period in which the determination is made.

2. Significant accounting policies (continued):

(e) Mineral property, plant and equipment (continued):

(ii) Plant and equipment:

Plant and equipment is stated at cost less accumulated depreciation. Leach pads are depreciated on a unit-of-production basis over estimated recoverable reserves expected to be processed from the leach pad. Mining equipment and other asset categories are depreciated using the straight-line method over their estimated useful lives. Estimated useful lives for mining equipment and major asset categories range from three to ten years. Replacements and major improvements are capitalized.

(f) Site closure and reclamation costs:

Minimum standards for site closure and mine reclamation have been established by various governmental agencies that affect certain operations of the Company. A reserve for future site closure and mine reclamation costs has been established based upon the estimated costs to comply with existing reclamation standards. Site closure and mine reclamation costs for operating properties are accrued using the unit-of-production method. The effect of increases or decreases in estimated future costs resulting from amendments to reclamation standards by the regulatory authorities, changes to the extent of remediation required, experience gained by the Company and others on similar properties, or other factors, are reflected in earnings from properties currently in production, prospectively, commencing in the period the estimate is revised.

(g) Revenue recognition:

Revenue is recognized when metal is delivered and title passes. Costs incurred or premium income received on forward sales or options contracts are recognized in revenue when the contracts expire or production is delivered. Changes in the fair value of the related asset or liability are recognized in earnings.

(h) Stock-based compensation:

The Company has a stock option plan and a stock-based management incentive plan, both of which are described in note 8(b). Effective January 1, 2002, stock-based payments to non-employees, and employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, are accounted for using the fair value method. No compensation cost is recorded for all other stock-based employee compensation awards. Consideration paid by employees on the exercise of stock options is recorded as share capital. The Company discloses the pro forma effect of accounting for these awards under the fair value method in note 8(b).

Prior to January 1, 2002, no compensation expense was recorded for the Company s stock-based plans when the options or incentives were granted. Consideration paid by directors, officers and employees on exercise of stock options was credited to share capital. Any compensation liability under the stock-based management incentive plan was accrued as compensation expense.

(i) Income taxes:

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

(j) Earnings per share:

Basic earnings per share is calculated by dividing net earnings by the weighted average number of shares outstanding for the year. Diluted earnings per share is calculated using the treasury stock method which, for outstanding stock options, assumes that the proceeds to be received on the exercise of stock options are applied to repurchase common shares at the average market price for the period, for purposes of determining the weighted average number of shares outstanding.

(k) Translation of foreign currencies:

The Company has subsidiaries and joint ventures in Canada, the United States, Honduras, Mexico and Guatemala. The primary currency of operations for the Company and its subsidiaries and joint ventures is the U.S. dollar. Transactions denominated in currencies other than the U.S. dollar are translated into U.S. dollars using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars using the exchange rate in effect on the balance sheet date. Foreign currency gains and losses arising from translation of balances are included in the determination of net earnings for the period.

2. Significant accounting policies (continued):

(l) Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of mineral reserves, reclamation and environmental obligations, impairment of assets, useful lives for depreciation, depletion and amortization, measurement of work-in-process and finished goods inventory and valuation allowances for future tax assets. Actual results could differ from those estimates.

(m) Comparative figures:

Certain of the prior years comparative figures have been reclassified to conform to the presentation adopted for the current year.

3. Business acquisition:

On July 16, 2002, the Company completed the acquisition, by way of a plan of arrangement, of Francisco Gold Corp. (Francisco), a Canadian public company. Francisco s principal assets were the El Sauzal gold project in Chihuahua, Mexico and the Marlin gold project in San Marcos, Guatemala.

Under the plan of arrangement, each issued Francisco share was exchanged for 1.55 common shares of the Company and one share in Chesapeake Gold Corp. (Chesapeake), a new exploration company formed by Francisco. In addition, prior to completion of the closing of the transaction, Francisco transferred to Chesapeake cash of CDN$1.50 per share for each issued share of Francisco (CDN$25.0 million), certain early stage Nicaraguan exploration assets and a 2% net smelter return royalty on Francisco s Guatemalan projects outside the Marlin project area. The Company retained a right to acquire a 5% stake in Chesapeake (based on its initial capitalization) through a three year share purchase warrant.

The Company issued 25.8 million common shares to the shareholders of Francisco under the terms of the plan of arrangement and issued 1,674,000 stock options to directors, officers and employees of Francisco exercisable at prices between CDN$3.07 and CDN$4.04 per share in exchange for their existing Francisco stock options. The Company has accounted for this acquisition using the purchase method, as follows:

Net assets acquired, at fair value:	
Cash and cash equivalents	$ 1.4
Other current assets	0.2
Mineral properties	197.1
	198.7
Accounts payable and accrued liabilities	(0.8)
Future income taxes	(60.0)
	$ 137.9

Consideration given:	
Issuance of 25,843,808 common shares of the Company	$124.5
Issuance of stock options	5.9
Transaction costs	7.5
	$137.9

During the year ended December 31, 2003, the Company paid a further $1.6 million and issued a further 2.2 million common shares of the Company, at a price of CDN$13.50 per share, to the former owners of the Marlin project, pursuant to the plan of arrangement with Francisco. The $22.3 million additional consideration for the acquisition of Francisco was allocated as follows:

Mineral properties	$ 32.3
Future income taxes	(10.0)
	$ 22.3

4. Inventory:

	2003	2002
Finished goods	$ 1.2	$ 0.6
Work-in-progress	12.2	13.3
Supplies and spare parts	3.3	2.7
	$16.7	$16.6

5. Mineral property, plant and equipment:

	2003	2002
Producing properties, net	$ 70.6	$ 73.8
Non-producing properties, net	290.5	211.2
	$361.1	$285.0

(a) Producing properties:

2003	Plant and Equipment	Mineral property acquisition costs	Mine development costs	Sub-total	Accumulated depreciation & write-downs	Total
Rand, California	$ 34.6	$ 14.1	$ 25.2	$ 73.9	$ (73.3)	$ 0.6
San Martin, Honduras	31.1	13.4	23.2	67.7	(28.8)	38.9
Marigold, Nevada	29.8	9.2	12.5	51.5	(20.7)	30.8
Other	0.9			0.9	(0.6)	0.3
Total	$ 96.4	$ 36.7	$ 60.9	$194.0	$(123.4)	$70.6

&noration to divide the authorized shares of our

5. preferred stock into one or more series, each of which must be so designated as to distinguish the shares of each series of preferred stock from the shares of all other series and classes. Our board of directors is authorized, within any limitations prescribed by law and our articles of incorporation, to fix and determine the designations, rights, qualifications, preferences, limitations and terms of the shares of any series of preferred stock including, but not limited to, the following:

1. The number of shares constituting that series and the distinctive designation of that series, which may be by distinguishing number, letter or title;

2. The dividend rate on the shares of that series, whether dividends will be cumulative, and if so, from which date(s), and the relative rights of priority, if any, of payment of dividends on shares of that series;

3. Whether that series will have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

4. Whether that series will have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors determines;

5.

Whether or not the shares of that series will be redeemable, and, if so, the terms and conditions of such redemption, including the date or date upon or after which they are redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

6. Whether that series will have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

7. The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation, and the relative rights of priority, if any, of payment of shares of that series;

8. Any other relative rights, preferences and limitations of that series

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Provisions in Our Articles of Incorporation and By-Laws That Would Delay, Defer or Prevent a Change in Control

Our articles of incorporation authorize our board of directors to issue a class of preferred stock commonly known as a "blank check" preferred stock. Specifically, the preferred stock may be issued from time to time by the board of directors as shares of one (1) or more classes or series. Our board of directors, subject to the provisions of our Articles of Incorporation and limitations imposed by law, is authorized to adopt resolutions; to issue the shares; to fix the number of shares; to change the number of shares constituting any series; and to provide for or change the following: the voting powers; designations; preferences; and relative, participating, optional or other special rights, qualifications, limitations or restrictions, including the following: dividend rights, including whether dividends are cumulative; dividend rates; terms of redemption, including sinking fund provisions; redemption prices; conversion rights and liquidation preferences of the shares constituting any class or series of the preferred stock.

In each such case, we will not need any further action or vote by our shareholders. One of the effects of undesignated preferred stock may be to enable the board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise, and thereby to protect the continuity of our management. The issuance of shares of preferred stock pursuant to the board of director's authority described above may adversely affect the rights of holders of common stock. For example, preferred stock issued by us may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. Accordingly, the issuance of shares of preferred stock may discourage bids for the common stock at a premium or may otherwise adversely affect the market price of the common stock.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. We currently intend to retain future earnings, if any, to finance the expansion of our business. As a result, we do not anticipate paying any cash dividends in the foreseeable future.

Share Purchase Warrants

We have not issued and do not have outstanding any warrants to purchase shares of our common stock.

Options

We have not issued and do not have outstanding any options to purchase shares of our common stock.

Convertible Securities

We have not issued and do not have outstanding any securities convertible into shares of our common stock or any rights convertible or exchangeable into shares of our common stock.

Nevada Anti-Takeover Laws

Nevada Revised Statutes sections 78.378 to 78.379 provide state regulation over the acquisition of a controlling interest in certain Nevada corporations unless the articles of incorporation or bylaws of the corporation provide that the provisions of these sections do not apply. Our articles of incorporation and bylaws do not state that these provisions do not apply. The statute creates a number of restrictions on the ability of a person or entity to acquire control of a Nevada company by setting down certain rules of conduct and voting restrictions in any acquisition attempt, among other things. The statute is limited to corporations that are organized in the state of Nevada and that have 200 or more stockholders, at least 100 of whom are stockholders of record and residents of the State of Nevada; and does business in the State of Nevada directly or through an affiliated corporation. Because of these conditions, the statute currently does not apply to our company.

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Interests of Named Experts and Counsel

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock was employed on a contingency basis, or had, or is to receive, in connection with the offering, a substantial interest, direct or indirect, in the registrant or any of its parents or subsidiaries. Nor was any such person connected with the registrant or any of its parents or subsidiaries as a promoter, managing or principal underwriter, voting trustee, director, officer, or employee.

David Jennings, Esq., our independent legal counsel, has provided an opinion on the validity of our common stock.

Silberstein Ungar, PLLC, has audited our financial statements included in this prospectus and registration statement to the extent and for the periods set forth in his audit report. Maddox Ungar Silberstein, PLLC has presented his report with respect to our audited financial statements. The report of Maddox Ungar Silberstein, PLLC is included in reliance upon his authority as an expert in accounting and auditing.

Disclosure of Commission Position of Indemnification for Securities Act Liabilities

Our articles of incorporation provide that we will indemnify an officer, director, or former officer or director, to the full extent permitted by law. We have been advised that in the opinion of the Securities and Exchange Commission indemnification for liabilities arising under the Securities Act of 1933 is against public policy as expressed in the Securities Act of 1933, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit the question of whether such indemnification is against public policy to a court of appropriate jurisdiction. We will then be governed by the court's decision.

Organization within the Last Five Years

We were incorporated as “ePhoto Image, Inc.” in the State of Nevada on September 20, 2007. We are engaged in the business of developing digital image transaction software and a website through which visual artists can sell low-cost, original photographic content specifically to both low-end and high-end users of stock photographic images, such as newsletter and magazine publishers and website designers based primarily in Asia.

Our principal executive offices are located at 50 West Liberty Street, Suite 880, Reno, NV 89501. Our telephone number is 0086-137-175-28189. Our operations office is located at No. 181 Dragon Villas, No. 8 Shun An Nan Road, Shunyi County, Beijing, China. Petra Jaeger, our President and Director, is a person that may be described as a “promoter” as defined in Rule 405 of the Securities Act by virtue of her role in founding and organizing our company.

Our fiscal year end is April 30.

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Description of Business

Company Overview

We were incorporated as “ePhoto Image Inc.” (“ePhoto”) on September 20, 2007, in the State of Nevada for the purpose of developing digital image transaction software and a website through which visual artists can sell original photographic content.

Business of Company

We are engaged in the business of developing digital image transaction software and a website through which visual artists can sell low-cost, original photographic content specifically to both low-end and high-end users of stock photographic images, such as newsletter and magazine publishers and website designers based primarily in Asia. We hope that such a website, once established, will provide photographers, illustrators, graphic designers, animators, cinematographers and other visual artists a low-priced, online venue to sell their work to users of stock photographic images. Unlike many stock image houses presently operating in the market, our objective is to not purchase large portfolios of stock images from a select group of established photographers. Instead, we intend that photographers affiliated with our company will maintain ownership of their stock images. We plan to generate revenue by charging affiliate photographers a commission on the images they sell through our website. The images sold on our website will primarily feature Asian themes. We are currently in the process of designing and developing our software and our website, which will utilize the software to manage our database of images, display available images, and manage all associated transactions. We are continually refining this software and our website through research and trial runs. When we are satisfied that our software, website, and products will compete effectively in the Visual Content Industry by being the most cost-efficient and accessible software and website to offer a diverse selection of images from Asia, we will conduct the public launch of the website for use by visual artists and their potential customers.

We have not successfully launched our website or generated any revenues to date. The success of our business is dependent on building our website, acquiring artist images, and making commission from sales of artwork on our website. If we are unable to successfully implement our business plan, our business will fail and you will lose your entire investment in our company.

Our offices are located at No. 181 Dragon Villas, No. 8 Shun An Nan Road, Shunyi County, Beijing, China. Our telephone number is 0086-137-175-28189.

Stock and Microstock Photography

Stock photography consists of existing photographs that can be licensed for specific uses. Publishers, advertising agencies, graphic artists, and others use stock photography to fulfill the needs of their creative assignments. A customer who uses stock photography instead of hiring a photographer can save time and money. Stock images can be presented in searchable online databases, purchased online, and delivered via download or email. A collection of stock photography may also be called a photo archive, picture library, photo bank, or image bank, as modern stock photography distributors often carry stills, video, and illustrations. Images are filed at an agency that negotiates licensing fees on the photographer’s behalf in exchange for a percentage, or in some cases owns the images outright. This is increasingly done online, especially with newer microstock models. Pricing is determined by the size of audience or readership, how long the image is to be used, the country or region where the images will be used and whether royalties are due to the image creator or owner. Often, an image can be licensed for less than $200, or in the case of the microstock photography websites as little as $1.

Rights Managed stock photography involves an individual licensing agreement, which is negotiated for each use and details the specific conditions under which the image can be used. Royalty-free stock photography offers a photo buyer the ability to use an image an unlimited number of times and in any medium for a single license fee.

Microstock photography is an offshoot of traditional stock photography. What defines a company as a microstock photography company is that they 1) source their images almost exclusively via the Internet, 2) do so from a wider range of photographers than the traditional stock agencies (including a willingness to accept images from amateurs and hobbyists), and 3) sell their images at a very low rate (anywhere from $.20 - $10) for a royalty-free image. Many microstock sites also sell vector art, and some sell Flash animations and video, as well as still images.

Each microstock company uses a different pricing and payment scheme. Photographers can upload the same pictures on multiple sites or, with some agencies, become an exclusive supplier and receive an increased commission and additional benefits. There is no fee to post photos on a microstock site. However, microstock companies do not accept all artists or all photographs. Each employs a team of reviewers who check every picture submitted for technical quality, as well as artistic and commercial merit. Photographers add keywords that help potential buyers filter and find pictures of interest.

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Visual Content Industry

The visual content industry supplies images to a varied and growing customer base, ranging from individual consumers to major multinational corporations. Market segments include graphic designers, art directors and art buyers at advertising agencies, marketing and communications professionals, Web and new media designers, newspaper, magazine, book, music and video publishers, and broadcast and media production companies. In addition, emerging market segments include business users, who are not graphic designers or other professional users of images, such as managerial and sales professionals and small or home office (SOHO) users. Images are used to communicate messages in a wide variety of applications, including print, electronic and broadcast advertising, direct mail and marketing brochures, educational and training publications, books, magazines, newspapers, corporate communications and annual reports, motion pictures, broadcasting, CD-ROM products, sites on the Internet, other online uses, sales and in-house presentations, and various consumer uses.

The worldwide digital content market, including the market for stock digital photographic images, reached $2.9 billion annually in 2004. The visual content industry has grown substantially in recent years. This growth may be attributed to several factors, including greater appreciation of the value of images for conveying, symbolizing and reinforcing marketing and editorial messages visually; technological innovations that have made it easier and cheaper to select, use, edit and distribute images; and a proliferation of communications channels, particularly via the Internet and in the cable and satellite broadcasting industry. The video footage sector is expected to continue to grow as technological developments in cable and satellite broadcasting and new media industries lead to a major increase in demand for stock and archival footage.

A number of technological advances have contributed to recent developments in the visual content industry and to increased demand for digital images. These advances include:

- Advances in computer hardware: the development of faster and less expensive desktop computers, high-quality color monitors and CD-ROM drives and related compression technologies have made it possible for personal computer users to review and distribute high-quality color images.
- Software development: Developments in software applications and tools, such as Adobe PhotoShop and PhotoDeluxe, as well as the popularity of low-priced desktop publishing applications have enabled personal computer users to enhance, manipulate, and edit color images and combine them on a single page with text and other graphics.
- Advances in printing technologies: Advances in commercial four color printing technologies have made professional printing more accessible and cost effective for many professional applications. In addition, the recent introduction of relatively inexpensive, higher resolution color printers have made it possible for non-professionals and personal computer users to print high-quality color images at low cost without professional assistance.
- The Internet: Significant increases in the use of the Internet, both as a medium for communications and as a platform for commercial transactions, have occurred. According to Internet World Stats (www.internetworldstats.com/emarketing.htm), the number of people who are using the World Wide Web has grown from 16 million users, or 0.4% of the global population in December of 1995, to 1,319,872,109 and 20% of the global population in December of 2007. Asia alone has over 500 million users, accounting for 38.7% of the Internet usage of the world. Asia has shown a 346.6% Internet use growth from the years 2000 to 2007. This increased use of the Internet has resulted in growth in commercial promotion and advertising in websites and other online communications, which, in turn, have contributed to an increase in demand for and use of digital images for such promotion, advertising and communication. In addition, the Internet provides a new, more efficient means of marketing and distributing images for such uses, as well as more traditional uses.

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Our Products

The rising demand for stock photographic images within the growing visual content industry in conjunction with the widespread and increasing use of the Internet in general and as a source for visual content have resulted in what we anticipate will be a highly receptive potential market for our website and our products. The vast pool of potential consumers of stock photographic images within the visual content industry as well as the many prospective consumers working outside of the visual content industry are all seeking high-quality, affordable images from visual artists who, in turn, are seeking ways to reach and sell their work to a wide range of customers at fair-market value. The subject matter of our stock photographic images will focus primarily on Asian themes and will target an Asian audience. This specialization offers several benefits, including a less complicated keyword image search.

To date, we have reserved a domain name at www.ePhotoImage.com. Our website is currently under construction. We are currently in the process of developing the site to manage a database of images, display available images, and manage all associated transactions with artist affiliates. We are continually refining this software and our website through research and trial runs. When we are satisfied that our software, website, and products will compete effectively in the Visual Content Industry by being the most cost-efficient and accessible software and website to offer a diverse selection of images from Asia, we will conduct the public launch of the website for use by visual artists and their potential customers.

Once established, we anticipate that our website will be an online stock image transaction site, similar to other online stock image agency websites in that it provides the opportunity for corporations and individuals to purchase image usage rights online and to take digital delivery of the image electronically. Our strategy is to differ from many online stock image companies, however, in that we plan to allow contributing photographers the ability to retain ownership of their images. We are in the process of developing an affiliate-based website, branded "ePhotoImage.com," where our images will be available for viewing, purchasing and downloading. We plan to solicit photographic originals from photographers and create an inventory of stock images available for online viewing. Our plan is that the website will include still photographic images, illustrations, clip art and video clips. Customers should be able to freely browse our inventory of stock images and download thumbnail sketch samples of stock images. However, customers must pay the contributing photographer prior to downloading usable images. We plan to generate revenues by charging our affiliated photographers a sales commission of approximately 30% on all sales transacted on our website.

Our business plan is to offer digital product, transaction, and delivery. We believe the advantage of our digital approach is a significant reduction in costs. Unlike companies that sell physical products (including photographs and other artwork), our products, once established, will be digital in nature and will not require facilities to warehouse products, and consequently no staff is required to manage inventory and prepare orders. Likewise, financial transactions and the delivery of purchases will be accomplished digitally, so no sales and fulfillment staff will be required and no shippers, drivers or vehicles are needed. Staff will still be required in the areas of administration, marketing, and support. Whenever possible, information we gain from staff activities will be used to further automate our processes.

We are in the process of refining the format for our website, which will be integral to its success. We are designing and developing our website by conducting research to improve on quality and cost. This research includes performing trial runs of our software and website in order to refine their essential qualities, such as ease of access and software reliability. Refining these qualities will ensure that our final website and products are practical, affordable, and dependable.

We have not yet begun the process of soliciting an inventory of digital images from photographers. We have, however, analyzed the market and believe our unique twists in the stock image market will appeal to new, amateur and experienced photographers. We believe that the established stock image business has grown complex and intimidating to most photographers. Leading stock image vendors tend to boast about the vast number of images they hold online. We believe that such an inventory almost insures that individual works will get “lost” in the database. In contrast, we hope to develop a site to focus on the emerging middle class Chinese market. It will have the nuances and cultural cues that appeal to the modern photographer interested in the Chinese culture, whether they are amateurs or professionals. We intend to draw these photographers to our site, by engaging in the following:

§ We intend to attract photographers with regionally based theme categories. For example, unlike current stock image sites which classifies in broad terms such as “people,” “animals,” etc. we will also create categories for regions such as “Great Wall,” ‘"Barrier Reef,” etc. We will classify regions, history and subject-matter items that are appealing to China, such as its rich history, food, cultural icons.

§ We also plan to offer a “mobile upload” area to attract photographers. Though most mobile images are of poor quality, we feel the hardware makers are now offering phone cameras that create acceptable images. These “live” and “authentic” images will be of non-posed and choreographed images. We plan to capture mobile uploads, offer many royalty-free photos, but create a market in the future for licensed images from this source. We feel that the mobile upload market will only grow in popularity. This could be the “blog” or “twitter” for images. As of March 2010, it is estimated that China has 747 million mobile phone users; many of these phones are equipped with cameras. It is projected that in 2014, China alone will have about 957 million mobile phone users. (see: http://www.emarketer.com/blog/index.php/staggering-mobile-stats-bric-countries/)

§ We also intend to advertise our website through a combination of Skype, MSN and Facebook in China. This social networking and communications portal is rich with young, affluent Chinese consumers creating images. These images are history captured as China grows. These images are what Chinese marketers and international marketers will be interested in to "speak" to its audience. In the next twelve months, we hope to commence the process of developing the infrastructure to link with this social networking community.

We have not yet marketed our website to attract customers, but we intend to do so in the next twelve months. We intend to attract customers with value pricing and offering ease of use. We intend to draw in customers by engaging in the following:

§ We are using SEO as part of our website development architecture. SEO or “Search Engine Optimization” is the process of improving the volume or quality of traffic thru the web site. To ensure we are associated and found by users of the most popular search engines such as Google, Bing or Yahoo, we are incorporating the most current organic and algorithmic processes.

§ We also plan to do limited marketing at websites that focus on amateur photographers seeking advice and information. Sites such as blogs or forums that offer inexpensive internet banners for exposure and marketing.

§ We also intend to use mutual internet links. Other than tapping into the search engine user base, we will also market and offer mutual link marketing. So manufacturers, photo studios and accessory makers will have links within our site and in return they will link ePhoto to theirs.

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Competition

We plan to compete with a number of established online stock image companies who sell stock images to visual content consumers in Asia and internationally. These companies enjoy brand recognition which exceeds that of our brand name and have significantly greater financial, distribution, advertising, and marketing resources than we do, including:

- Getty Images has a user friendly website where its vast inventory of stock photographic images may be previewed and purchased by prospective customers. They have long standing business relationships with photographers and publishers and are the leading supplier of stock images for business and consumers with an archive of 70 million still images and illustrations and more than 30,000 hours of stock film footage. The company targets 3 markets: creative professionals (advertising and graphic design), the media (print and online publishing), and corporate communication departments for other businesses. The company generates revenue of approximately $807 million each year.
- iStockphoto is an online, royalty free, international microstock photography provider operating with the micropayment business model. Images cost between 1 and 20 credits, depending on size (with credits ranging from $.96 to $1.30 each). The company was the pioneer for the microstock photography industry, and claims to be "the world's fastest growing collection of original, independent, royalty-free images." As of March 2008, the online photo library contains over 2.8 million images contributed by over 50,000 photographers. The company has over 3 million registered members (as of February 2008) that participate in Internet forums, a creative-network for keeping track of friends, and a peer review/rating system. They have a reputation for interacting with their member-base and discussing changes and new ideas openly before and after implementation, but they also have a reputation for censorship among some photographers. The company was acquired by Getty Images for $50 million in February 2006.
- ShutterStock is a microstock photography website selling images by subscription. As of February 2008, the company had more than 3 million royalty-free images available to subscribers, taken by more than 70,000 photographers. Subscribers can download up to 25 images per day (750 per month) and may continue to use the pictures even after their membership has expired. As of June 2007, the fee for subscribers began at $199 per month. Contributing photographers must apply before they are eligible to upload their images, and, once approved, can begin uploading their work through the website. They supply keywords, categorize the images, and submit them to inspection, where each image is examined to ensure that it meets the standards of quality, usefulness and copyright and trademark laws. Each time an image is downloaded, the photographer receives a flat rate of $.25 ($.30 if the photographer has reached $500 in lifetime earnings).
- Fotolia is a microstock photography agency that provides means for worldwide distribution of photographs, through PayPal and Moneybookers. Some photographs are offered for free; those that are sold are priced from $1 to as high as $2,000. As of December 2007, Fotolia had more than 500,000 members who had uploaded more than 2.7 million photographs and graphic illustrations.
- Corbis is a buyer/seller of high-quality photography and film footage and related rights. It has a collection of over 100 million creative, entertainment and historic images, a comprehensive footage library, extensive rights and clearances expertise, and a roster of elite assignment photographers. Corbis is privately owned by Bill Gates. It sells to over 50 countries, but since its founding in 1989, the company has never had a profitable year. Corbis claims to have the broadest, deepest and most easily accessible and searchable collection of imagery in the world. In June 2007, Corbis launched a microstock website, SnapVillage. The company intended to use its microstock site as a farm club to find photographers who could also sell their photographs on the main Corbis website. SnapVillage offers two pricing models: per-image pricing like iStockphoto, or subscriptions like those offered by ShutterStock.

We believe that our website will differ from many other stock image services in several respects:

- Once established, our website will be open to all photographers, illustrators, cinematographers and digital artists worldwide even if they only have a small number of marketable images.
- We plan to function somewhat like a photographer's co-operative where members have access to common services that are not otherwise available to photographers on an individual basis: marketing services, a large pool of clients, online searchable database of images and monetary transaction processing capabilities. While many photographers have websites, it is neither practical nor economically feasible for an individual photographer’s website to have the kinds of capabilities that we provide.

- In a traditional stock agency, agency staff takes physical ownership and possession of the photographer's images and perform the functions necessary to edit, digitize, upload and catalog them. With our company, photographers will retain possession and control of their images and do the editing, digitizing, uploading and cataloging of their images themselves, resulting in reduced staff requirements for us and no need for expensive climate-controlled storage facilities. This should also results in lower commission rates so photographers retain more of the proceeds of the sale than with traditional stock agencies.

We plan to compete primarily on the basis of quality, brand name recognition, and price. We believe that our success will depend upon our ability to be competitive in our product areas. The failure to compete successfully in the future could result in a material deterioration of customer loyalty and our image and could have a material adverse effect on our business.

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Intellectual Property

Once we determine the final format for our digital image transaction software and website, we intend to file for patent protection and/or copyright protection in China and other jurisdictions.

We intend to aggressively assert our rights under trade secret, unfair competition, trademark and copyright laws to protect our intellectual property, including software and website design, product research and concepts and recognized trademarks. These rights are protected through the acquisition of patents and trademark registrations, the maintenance of trade secrets, the development of trade dress, and, where appropriate, litigation against those who are, in our opinion, infringing these rights.

We are currently consulting with law firms to protect our brand name and software and website design. While there can be no assurance that registered trademarks will protect our proprietary information, we intend to assert our intellectual property rights against any infringer. Although any assertion of our rights can result in a substantial cost to, and diversion of effort by, our company, management believes that the protection of our intellectual property rights is a key component of our operating strategy.

Regulatory Matters

We are unaware of and do not anticipate having to expend significant resources to comply with any governmental regulations of the visual content industry. We are subject to the laws and regulations of those jurisdictions in which we plan to sell our products, which are generally applicable to business operations, such as business licensing requirements, income taxes and payroll taxes. In general, the development, manufacture, and sale of our products in Asia is not subject to special regulatory and/or supervisory requirements.

There are currently few laws or regulations directly applicable to commerce on the Internet. Due to the increasing popularity and use of the Internet, it is possible that a number of laws and regulations may be adopted with respect to the Internet, relating to issues such as user privacy, pricing, characteristics and quality of products and services. A number of countries have enacted, or may enact, laws that regulate Internet content.

Employees

Petra Jaeger, our President and Director, devotes 10 to 15 hours per week to our business affairs as our employee. We do not have an employment agreement with Petra Jaeger. Aside from Petra Jeager, we do not have any full or part-time employees. Our President oversees all responsibilities in the areas of corporate administration, business development, and research. We intend to expand our current management to retain skilled directors, officers, and employees with experience relevant to our business focus. Petra Jeager is highly skilled in technical areas such as researching and developing our product, but not skilled in areas such as marketing our product and business management. Obtaining the assistance of individuals with and in-depth knowledge of operations and markets will allow us to build market share more effectively.

Environmental Laws

We have not incurred and do not anticipate incurring any expenses associated with environmental laws.

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Description of Property

We maintain our corporate office at No. 181 Dragon Villas, No. 8 Shun An Nan Road, Shunyi County, Beijing, China.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Historical results and trends should not be taken as indicative of future operations. Management's statements contained in this report that are not historical facts are forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," "prospects," or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on the operations and future prospects of the Company on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

Results of Operations for the Three and Nine Months Ended January 31, 2010 and 2009, and Period from September 20, 2007 (Inception) to January 31, 2010

We generated no revenue for the period from September 20, 2007 (Date of Inception) until January 31, 2010.

Our operating expenses for the three months ended January 31, 2010 were $1,000, compared with $3,033 for the three months ended January 31, 2009. For both periods mentioned, our operating expenses consisted of professional fees.

Our operating expenses for the nine months ended January 31, 2010 were $2,900, compared with $3,033 for the nine months ended January 31, 2009. Our operating expenses for the nine months ended January 31, 2010 consisted of $2,250 in professional fees and $650 in office and miscellaneous expenses. Our operating expenses for the nine months ended January 31, 2009 consisted entirely of professional fees.

Our operating expenses for the period from inception to January 31, 2010 were $10,690. Our operating expenses for this period consisted of $8,782 in professional fees and $1,908 in office and miscellaneous expenses.

We, therefore, recorded a net loss of $1,000 for the three months ended January 31, 2010, compared with $3,033 for the three months ended January 31, 2009, $2,900 for the nine months ended January 31, 2010, compared with $3,033 for the nine months ended January 31, 2009, and $10,690 for the period from September 20, 2007 (Date of Inception) until January 31, 2010.

We anticipate our operating expenses will increase as we implement our business plan. The increase will be attributable to expenses to implement our business plan, and the professional fees to be incurred in connection with the filing of a registration statement with the Securities Exchange Commission under the Securities Act of 1933. We anticipate our ongoing operating expenses will also increase once we become a reporting company under the Securities Exchange Act of 1934.

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Results of Operations for the Year Ended April 30, 2009, and Period from February 29, 2008 (Date of Inception) until April 30, 2009

We generated no revenue for the period from September 20, 2007 (Date of Inception) until April 30, 2009.

Our operating expenses were $7,798 for the year ended April 30, 2009, and $7,798 from September 2007 (Date of Inception) to April 30, 2009. Our operating expenses for both periods are wholly attributable to professional fees associated with the initial development of our business, legal expenses, and consulting fees.

Liquidity and Capital Resources

As of January 31, 2010, we had total current assets of $3, consisting of Cash. We had current liabilities as of January 31, 2010 of $2,901. Thus, we have a working capital deficit of $2,898 as of January 31, 2010.

Operating activities used $8,439 in cash for the period from September 20, 2007 (Date of Inception) until January 31, 2010. Our net loss of $10,690 offset by $2,250 in accrued expenses was the sole basis of our negative operation cash flow. Financing activities during the period from September 20, 2007 (Date of Inception) until January 31, 2010 generated $8,443 in cash during the period.

We expect to spend approximately $20,000 to implement our business plan over the coming year. Our accounting, legal and administrative expenses for the next twelve months are anticipated to be $30,000.

As of January 31, 2010, we have insufficient cash to operate our business at the current level for the next twelve months and insufficient cash to achieve our business goals. The success of our business plan beyond the next 12 months is contingent upon us obtaining additional financing. We intend to fund operations through debt and/or equity financing arrangements, which may be insufficient to fund our capital expenditures, working capital, or other cash requirements. We do not have any formal commitments or arrangements for the sales of stock or the advancement or loan of funds at this time. There can be no assurance that such additional financing will be available to us on acceptable terms, or at all.

Going Concern

We have recurring losses and has a deficit accumulated during the development stage of $10,690 as of January 31, 2010. Our financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, we have no current source of revenue. Without realization of additional capital, it would be unlikely for us to continue as a going concern. Our management plans on raising cash from public or private debt or equity financing, on an as needed basis and in the longer term, revenues from the development of our business operations. Our ability to continue as a going concern is dependent on these additional cash financings, and, ultimately, upon achieving profitable operations.

Off Balance Sheet Arrangements

As of January 31, 2010, there were no off balance sheet arrangements.

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Certain Relationships and Related Transactions

None of the following parties has, since our date of incorporation, had any material interest, direct or indirect, in any transaction with us or in any presently proposed transaction that has or will materially affect us:

- Any of our directors or officers;
- Any person proposed as a nominee for election as a director;
- Any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to our outstanding shares of common stock;
- Any of our promoters;
- Any relative or spouse of any of the foregoing persons who has the same house address as such person.

Market for Common Equity and Related Stockholder Matters

No Public Market for Common Stock

There is presently no public market for our common stock. We anticipate making an application for trading of our common stock on the FINRA over the counter bulletin board upon the effectiveness of the registration statement of which this prospectus forms a part. We can provide no assurance that our shares will be traded on the bulletin board, or if traded, that a public market will materialize.

The Securities Exchange Commission has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the Commission, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;(b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of Securities' laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price;(d) contains a toll-free telephone number for inquiries on disciplinary actions;(e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and;(f) contains such other information and is in such form, including language, type, size and format, as the Commission shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with; (a) bid and offer quotations for the penny stock;(b) the compensation of the broker-dealer and its salesperson in the transaction;(c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our stock if it becomes subject to these penny stock rules. Therefore, because our common stock is subject to the penny stock rules, stockholders may have difficulty selling those securities.

Holders of Our Common Stock

Currently, we have twenty-six (26) holders of record of our common stock.

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Stock Option Grants

To date, we have not granted any stock options.

Registration Rights

We have not granted registration rights to the selling shareholders or to any other persons.

We are paying the expenses of the offering because we seek to: (i) become a reporting company with the Commission under the Securities Exchange Act of 1934; and (ii) enable our common stock to be traded on the FINRA over-the-counter bulletin board. We plan to file a Form 8-A registration statement with the Commission prior to the effectiveness of the Form S-1 registration statement. The filing of the Form 8-A registration statement will cause us to become a reporting company with the Commission under the 1934 Act concurrently with the effectiveness of the Form S-1 registration statement. We must be a reporting company under the 1934 Act in order that our common stock is eligible for trading on the FINRA over-the-counter bulletin board. We believe that the registration of the resale of shares on behalf of existing shareholders may facilitate the development of a public market in our common stock if our common stock is approved for trading on a recognized market for the trading of securities in the United States.

We consider that the development of a public market for our common stock will make an investment in our common stock more attractive to future investors. We believe that obtaining reporting company status under the 1934 Act and trading on the OTCBB should increase our ability to raise these additional funds from investors.

Dividends

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where after giving effect to the distribution of the dividend:

1. we would not be able to pay our debts as they become due in the usual course of business, or;
2. our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends and we do not plan to declare any dividends in the foreseeable future.

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Executive Compensation

Summary Compensation Table

The table below summarizes all compensation awarded to, earned by, or paid to our executive officers for all services rendered in all capacities to us for the periods ended April 30, 2009 and April 30, 2010.

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Petra Jaeger, President, Chief Executive Officer, Principal Executive Officer, Chief Financial Officer, Principal Financial Officer, Principal Accounting Officer, and Director	2010 2009	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0

Narrative Disclosure to Summary Compensation Table

Although we do not currently compensate our sole officer, we reserve the right to provide compensation at some time in the future. Our decision to compensate our officer depends on the availability of our cash resources with respect to the need for cash to further business purposes.

Outstanding Equity Awards at Fiscal Year-End

The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for our named executive officer as of April 30, 2010.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	OPTION AWARDS					STOCK AWARDS			
Name	Number of Securities Underlying	Number of Securities Underlying	Equity Incentive Plan	Option Exercise Price	Option Expiration Date	Number of Shares	Market Value of	Equity Incentive Plan Awards:	Equity Incentive Plan Awards:

	Unexercised Options (#) Exercisable	Unexercised Options (#) Unexercisable	Awards: Number of Securities Underlying Unexercised Unearned Options (#)	($)		or Units of Stock That Have Not Vested (#)	Shares or Units of Stock That Have Not Vested ($)	Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)
Petra Jaeger	-	-	-	-	-	-	-	-	-

There were no grants of stock options since inception to date of this Prospectus.

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F-4 Statement of Stockholders' Deficit for the period from September 20, 2007 (Date of Inception) through April 30, 2009

F-5 Statements of Cash Flows for the period ended April 30, 2009 and 2008, and from September 20, 2007 (Date of Inception) through April 30, 2009

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Financial statements for the period from September 20, 2007 (Date of Inception) through January 31, 2010:

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F-10 Statement of Stockholders' Deficit for the period from September 20, 2007 (Date of Inception) through January 31, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
ePhoto Image, Inc.
Beijing, China

We have audited the accompanying balance sheets of ePhoto Image, Inc. as of April 30, 2009 and 2008, and the related statements of operations, stockholders' equity, and cash flows for the periods then ended and the period from September 20, 2007 (Inception) to April 30, 2009. These financial statements are the responsibility of the Companies management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ePhoto Image, Inc., as of April 30, 2009 and 2008 and the results of their operations and cash flows for the periods then ended and for the period from September 20, 2007 (Inception) to April 30, 2009, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that ePhoto Image, Inc. will continue as a going concern. As discussed in Note 4 to the financial statements, the Company has incurred losses from operations, has limited working capital, and is in need of additional capital to grow its operations so that it can become profitable. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are described in Note 4. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Maddox Ungar Silberstein, PLLC
Maddox Ungar Silberstein, PLLC

Bingham Farms, Michigan
August 28, 2009

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ePHOTO IMAGE, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS
AS OF APRIL 30, 2009 AND 2008

	2009	2008
ASSETS		
Current Assets		
Cash and equivalents	$ 2	$ 0
TOTAL ASSETS	$ 2	$ 0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 0	$ 0
Stockholders' Equity		
Common Stock, $.001 par value, 90,000,000 shares authorized, 7,750,000 shares issued and outstanding	7,750	0
Preferred Stock, $.001 par value, 10,000,000 shares authorized, -0- shares issued and outstanding	0	0
Additional paid-in capital	42	0
Deficit accumulated during the development stage	(7,790)	0
Total stockholders' equity	2	0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2	$ 0

See accompanying notes to financial statements.

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ePHOTO IMAGE, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED APRIL 30, 2009 AND 2008
FOR THE PERIOD FROM SEPTEMBER 20, 2007 (INCEPTION) TO APRIL 30, 2009

	PERIOD ENDED APRIL 30, 2009	PERIOD ENDED APRIL 30, 2008	PERIOD FROM SEPTEMBER 20, 2007 (INCEPTION) TO APRIL 30, 2009
REVENUES	$ 0	$ 0	$ 0
EXPENSES			
Professional fees	6,533	0	6,533
Registration and filing fees	335	0	335
General and administrative expenses	930	0	930
TOTAL OPERATING EXPENSES	7,798	0	7,798
OPERATING LOSS	(7,798)	0	(7,798)
OTHER INCOME	8	0	8
NET LOSS	$ (7,790)	$ 0	$ (7,790)
BASIC AND DILUTED LOSS PER SHARE	$ (0.00)	$ (0.00)	
WEIGHTED AVERAGE COMMON SHARES OUTSANDING: BASIC AND DILUTED	6,004,384	0	

See accompanying notes to financial statements.

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ePHOTO IMAGE, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF STOCKHOLDERS' EQUITY
PERIOD FROM SEPTEMBER 20, 2007 (INCEPTION) TO APRIL 30, 2009

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Deficit accumulated during the development stage	Total
Balance, September 20, 2007 (Inception)	-	$ 0	$ 0	$ 0	$ 0
Net loss for the period ended April 30, 2008	-	-	-	0	0
Balance, April 30, 2008	-	0	0	0	0
Common stock issued for cash during the year ended April 30, 2009	7,750,000	7,750	42	-	7,792
Net loss for the period ended April 30, 2009	-	-	-	(7,790)	(7,790)
Balance, April 30, 2009	7,750,000	$ 7,750	$ 42	$ (7,790)	$ 2

See accompanying notes to financial statements.

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ePHOTO IMAGE, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
PERIODS ENDED APRIL 30, 2009 AND 2008
PERIOD FROM SEPTEMBER 20, 2007 (INCEPTION) TO APRIL 30, 2009

	PERIOD ENDED APRIL 30, 2009	PERIOD ENDED APRIL 30, 2008	PERIOD FROM SEPTEMBER 20, 2007 (INCEPTION) TO APRIL 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period	$ (7,790)	$ 0	$ (7,790)
Change in non-cash working capital items			
Accounts payable and accrued liabilities	0	0	0
CASH FLOWS USED BY OPERATING ACTIVITIES	(7,790)	0	(7,790)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sales of common stock	7,792	0	7,792
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	7,792	0	7,792
NET INCREASE IN CASH	2	0	2
Cash, beginning of period	0	0	0
Cash, end of period	$ 2	$ 0	$ 2
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	$ 0	$ 0	$ 0
Income taxes paid	$ 0	$ 0	$ 0

See accompanying notes to financial statements.

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ePHOTO IMAGE, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2009

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Nature of Business
ePhoto Image, Inc. (“ePhoto”) is a development stage company and was incorporated in Nevada on September 20, 2007. The Company is creating a web portal selling photo images, both in the Western and Chinese markets. The main focus is on the Asia Theme. The Company plans to target Asian photographers to sign up and sell their prints on the ePhoto website as well.

Development Stage Company
The accompanying financial statements have been prepared in accordance with the Statement of Financial Accounting Standards No. 7 ”Accounting and Reporting by Development-Stage Enterprises”. A development-stage enterprise is one in which planned principal operations have not commenced or if its operations have commenced, there has been no significant revenues there from.

Basis of Presentation
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”).

Cash and Cash Equivalents
ePhoto considers all highly liquid investments with maturities of three months or less to be cash equivalents. At April 30, 2009 and 2008, respectively, the Company had $2 and $0 of cash.

Fair Value of Financial Instruments
The Company’s financial instruments consist of cash and cash equivalents and an amount due to a related party. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these financial statements.

Income Taxes
Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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ePHOTO IMAGE, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2009

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Basic loss per share
Basic loss per share has been calculated based on the weighted average number of shares of common stock outstanding during the period.

Recent Accounting Pronouncements
The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

NOTE 3 – INCOME TAXES

For the periods ended April 30, 2009, ePhoto Image, Inc. has incurred net losses and, therefore, has no tax liability. The net deferred tax asset generated by the loss carry-forward has been fully reserved. The cumulative net operating loss carry-forward is approximately $7,800 at April 30, 2009, and will expire beginning in the year 2029.

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

	2009
Deferred tax asset attributable to:	
Net operating loss carryover	$ 2,652
Valuation allowance	(2,652)
Net deferred tax asset	$ -

NOTE 4 – LIQUIDITY AND GOING CONCERN

The Company has limited working capital, has incurred losses since inception, and has not yet received revenues from sales of products or services. These factors create substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustment that might be necessary if the Company is unable to continue as a going concern.

The ability of ePhoto Image, Inc. to continue as a going concern is dependent on the Company generating cash from the sale of its common stock and/or obtaining debt financing and attaining future profitable operations. Management's plans include selling its equity securities and obtaining debt financing to fund its capital requirement and ongoing operations; however, there can be no assurance the Company will be successful in these efforts.

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EPHOTO IMAGE INC.

(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS
As of JANUARY 31, 2010 AND APRIL 30, 2009

	January 31, 2010 (unaudited)	April 30, 2009 (audited)
ASSETS		
Current assets		
Cash	$ 3	$ 2
Total current assets	3	2
Total assets	$ 3	$ 2
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
LIABILITIES		
Current Liabilities		
Accrued expenses	$ 2,250	$ -
Loan from shareholders	651	$ -
Total Current Liabilities	2,901	-
Total Liabilities	2,901	-
STOCKHOLDERS' EQUITY(DEFICIT)		
Preferred stock, $.001 par value, 10,000,000 shares authorized, -0- shares issued and outstanding		
Common stock, $.001 par value, 90,000,000 shares authorized, 7,750,000 shares issued and outstanding	7,750	7,750
Additional paid-in capital	42	42
Deficit accumulated during the development stage	(10,690)	(7,790)
Total stockholders' equity (deficit)	(2,898)	2
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 3	$ 2

See accompanying notes to financial statements.

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EPHOTO IMAGE INC.

(A DEVELOPMENT STAGE COMPANY)
UNAUDITED STATEMENTS OF OPERATIONS
Three months and nine months ended January 31, 2010 and 2009
For the period from September 21, 2007 (Date of Inception) through January 31, 2010

	Three months ended January 31, 2010	Three months ended January 31, 2009	Nine months ended January 31, 2010	Nine months ended January 31, 2009	Period from September 21, 2007 (Inception) to January 31, 2010
General and administrative expenses:					
Professional fees	$ 1,000	$ 3,033	$ 2,250	$ 3,033	$ 8,782
Office and miscellaneous	-	-	650	-	1,908
Total general and administrative expenses	1,000	3,033	2,900	3,033	10,690
Net loss and comprehensive loss	$ (1,000)	$ (3,033)	$ (2,900)	$ (3,033)	$ (10,690)
Net loss per share:					
Basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)	
Weighted average shares outstanding:					
Basic and diluted	7,750,000	7,750,000	7,750,000	7,750,000	

See accompanying notes to financial statements.

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EPHOTO IMAGE INC.

(A DEVELOPMENT STAGE COMPANY)
UNAUDITED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
Period from September 21, 2007 (Date of Inception) through January 31, 2010

	Common stock		Additional paid-in	Deficit accumulated during the Development	
	Shares	Amount	capital	stage	Total
Issuance of common stock for cash to founders	5,600,000	$ 5,600	$ -	$ -	$ 5,600
Issuance of common stock for cash at $.001	2,150,000	2,150	42	-	2,192
Net loss for the period	-	-	-	(7,790)	(7,790)
Balance, April 30, 2009	7,750,000	7,750	42	(7,790)	2
Net loss for the period	-	-	-	(2,900)	(2,900)
Balance, January 31, 2010	7,750,000	$ 7,750	$ 42	$ (10,690)	$ (2,898)

See accompanying notes to financial statements.

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EPHOTO IMAGE INC.

(A DEVELOPMENT STAGE COMPANY)
UNAUDITED STATEMENTS OF CASH FLOWS
For the period from September 21, 2007 (Date of Inception) through January 31, 2010

	Nine Months Ended January 31, 2010	Nine Months Ended January 31, 2009	Period from September 21, 2007 (Inception) to January 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss and comprehensive loss	$ (2,900)	$ (3,033)	$ (10,690)
Change in non-cash working capital items			
Increase (decrease) in accrued expenses	2,250	-	2,250
CASH FLOWS USED IN OPERATING ACTIVITIES	(650)	(3,033)	(8,439)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of common stock	-	7,792	7,792
Loan from shareholder	651	-	651
CASH FLOWS FROM FINANCING ACTIVITIES	651	7,792	8,443
NET INCREASE IN CASH	1	4,759	3
Cash, beginning of period	2	-	-
Cash, end of period	$ 3	$ 4,759	$ 3

SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

See accompanying notes to financial statements.

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EPHOTO IMAGE INC.

(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Ephoto Image Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s registration statement filed with the SEC on Form S-1. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for the financial statements to be not misleading have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year 2009 as reported in Form S-1, have been omitted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Ephoto Image Inc. (“Ephoto” or the “Company”) was incorporated in Nevada on September 21, 2007. Ephoto is a development stage company and has not yet realized any revenues from its planned operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Basic Loss Per Share

Basic loss per share has been calculated based on the weighted average number of shares of common stock outstanding during the period.

Comprehensive Income

The Company has established standards for reporting and display of comprehensive income, its components and accumulated balances. When applicable, the Company would disclose this information on its Statement of Stockholders’ Equity. Comprehensive income comprises equity except those resulting from investments by owners and distributions to owners. The Company has not had any significant transactions that are required to be reported in other comprehensive income.

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EPHOTO IMAGE INC.

(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax

Deferred income taxes reflect the net effect of (a) temporary difference between carrying amounts of assets and liabilities for financial purposes and the amounts used for income tax reporting purposes, and (b) net operating loss carryforwards. No net provision for refundable Federal income tax has been made in the accompanying statement of loss because no recoverable taxes were paid previously. Similarly, no deferred tax asset attributable to the net operating loss carryforward has been recognized, as it is not deemed likely to be realized.

Cash and Cash Equivalents

The Company considers all highly liquid investments with the original maturities of three months or less to be cash equivalents.

Recent Accounting Pronouncements

Ephoto does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

NOTE 3 - GOING CONCERN

Ephoto has recurring losses and has a deficit accumulated during the development stage of $10,690 as of January 31, 2010. Ephoto's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, Ephoto has no current source of revenue. Without realization of additional capital, it would be unlikely for Ephoto to continue as a going concern. Ephoto's management plans on raising cash from public or private debt or equity financing, on an as needed basis and in the longer term, revenues from the development of its business operations. Ephoto's ability to continue as a going concern is dependent on these additional cash financings, and, ultimately, upon achieving profitable operations.

NOTE 4 – INCOME TAXES

The provision for Federal income tax consists of the following:

	January 31, 2010	January 31, 2009
Refundable Federal income tax attributable to:		
	$ 980	$ 1,030

Current Operations		
Less: valuation allowance	(980)	(1,030)
Net provision for Federal income taxes	$ -	$ -

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EPHOTO IMAGE INC.

(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
January 31, 2010

NOTE 4 – INCOME TAXES (continued)

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

	January 31, 2010	January 31, 2009
Deferred tax asset attributable to:		
Net operating loss carryover	$ 3,630	$ 2,650
Less: valuation allowance	(3,630)	(2,650)
Net deferred tax asset	$ -	$ -

At January 31, 2010, Ephoto had an unused net operating loss carryover approximating $10,690 that is available to offset future taxable income; it expires beginning in 2029.

NOTE 5 – COMMON STOCK

At inception, Ephoto issued 5,600,000 shares of stock to its founding shareholder for $5,600 cash.

During the year ended April 30, 2009, Ephoto issued 2,150,000 shares of stock for $2,192 cash.

NOTE 6 – COMMITMENTS

Ephoto neither owns nor leases any real or personal property, an officer has provided office services without charge. Such costs are immaterial to the financial statements and accordingly are not reflected herein. The sole officer and director is involved in other business activities and most likely will become involved in other business activities in the future.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on which the financial statements were submitted to the Securities and Exchange Commission and has determined it does not have any material subsequent events to disclose.

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Changes In and Disagreements with Accountants

We have had no changes in or disagreements with our accountants.

Available Information

We have filed a registration statement on form S-1 under the Securities Act of 1933 with the Securities and Exchange Commission with respect to the shares of our common stock offered through this prospectus. This prospectus is filed as a part of that registration statement, but does not contain all of the information contained in the registration statement and exhibits. Statements made in the registration statement are summaries of the material terms of the referenced contracts, agreements or documents of the company. We refer you to our registration statement and each exhibit attached to it for a more detailed description of matters involving the company, and the statements we have made in this prospectus are qualified in their entirety by reference to these additional materials. You may inspect the registration statement, exhibits and schedules filed with the Securities and Exchange Commission at the Commission's principal office in Washington, D.C. Copies of all or any part of the registration statement may be obtained from the Public Reference Section of the Securities and Exchange Commission, 100 F. Street, N.E. Washington, D.C. 20549. Please Call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The Securities and Exchange Commission also maintains a Web Site at http://www.sec.gov that contains reports, proxy Statements and information regarding registrants that files electronically with the Commission. Our registration statement and the referenced exhibits can also be found on this site.

If we are not required to provide an annual report to our security holders, we intend to still voluntarily do so when otherwise due, and will attach audited financial statements with such report.

Until ________________, all dealers that effect transactions in these securities whether or not participating in this offering may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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Part II

Information Not Required In the Prospectus

Item 24. Indemnification of Directors and Officers

Our officers and directors are indemnified as provided by the Nevada Revised Statutes and our bylaws.

Under the governing Nevada statutes, director immunity from liability to a company or its shareholders for monetary liabilities applies automatically unless it is specifically limited by a company's articles of incorporation. Our articles of incorporation do not contain any limiting language regarding director immunity from liability. Excepted from this immunity are:

1. a willful failure to deal fairly with the company or its shareholders in connection with a matter in which the director has a material conflict of interest;
2. a violation of criminal law (unless the director had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful);
3. a transaction from which the director derived an improper personal profit; and
4. willful misconduct.

Our bylaws provide that we will indemnify our directors and officers to the fullest extent not prohibited by Nevada law; provided, however, that we may modify the extent of such indemnification by individual contracts with our directors and officers; and, provided, further, that we shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless:

1. such indemnification is expressly required to be made by law;
2. the proceeding was authorized by our Board of Directors;
3. such indemnification is provided by us, in our sole discretion, pursuant to the powers vested us under Nevada law; or;
4. such indemnification is required to be made pursuant to the bylaws.

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Our bylaws provide that we will advance to 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, by reason of the fact that he is or was a director or officer, of the company, or is or was serving at the request of the company as a director or executive officer
of another company, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefore, all expenses incurred by any
director or officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under our bylaws or otherwise.

Our bylaws provide that no advance shall be made by us to an officer of the company, except by reason of the fact that such officer is or was a director of the company in which event this paragraph shall not apply, in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made: (a) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (b) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the company.

Item 25. Other Expenses of Issuance and Distribution

The estimated costs of this offering are as follows:

Securities and Exchange Commission registration fee	$	1
Federal Taxes	$	0
State Taxes and Fees	$	0
Listing Fees	$	0
Printing and Engraving Fees	$	1,000
Transfer Agent Fees	$	1,000
Accounting fees and expenses	$	15,000
Legal fees and expenses	$	10,000
Total	$	27,001

All amounts are estimates.

We are paying all expenses of the offering listed above. No portion of these expenses will be borne by the selling shareholders. The selling shareholders, however, will pay any other expenses incurred in selling their common stock, including any brokerage commissions or costs of sale.

Item 26. Recent Sales of Unregistered Securities

We issued 2,850,000 shares of common stock to Petra Jaeger, our President and Director. These shares were issued pursuant to Regulation S of the Securities Act of 1933 (the "Securities Act") at a price of $0.001 per share, for total proceeds of $2,850. The 2,850,000 shares of common stock are restricted shares as defined in the Securities Act.

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We issued 2,750,000 shares of common stock to Namuun Ganbaatar. These shares were issued pursuant to Regulation S of the Securities Act at a price of $0.001 per share, for total proceeds of $2,750. The 2,750,000 shares of common stock are restricted shares as defined in the Securities Act.

We completed a private placement of 2,150,000 shares of our common stock pursuant to Regulation S of the 1933 Act. All shares were issued at a price of $0.001 per share. We received proceeds of $2,150 from the offering. Each purchaser represented to us that the purchaser was a Non-US Person as defined in Regulation S. We did not engage in a distribution of this offering in the United States. Each purchaser represented their intention to acquire the securities for investment only and not with a view toward distribution. All purchasers were given adequate access to sufficient information about us to make an informed investment decision. None of the securities were sold through an underwriter and accordingly, there were no underwriting discounts or commissions involved. The selling stockholders named in this prospectus include all of the purchasers who purchased shares pursuant to this Regulation S offering.

Item 27. Exhibits

Exhibit Number	Description
3.1	Articles of Incorporation(1)
3.2	By-Laws(1)
5.1	Opinion of David Jennings, Esq., with consent to use
23.1	Consent of Silberstein Ungar, PLLC
24.1	Power of Attorney (see attached signature page)

(1) Incorporated by reference on Form S-1 of the Company's Registration Statement filed on February 25, 2010.

Item 28. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement: (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

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(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act to any purchaser,

(a) If the Company is relying on Rule 430B:

i. Each prospectus filed by the Company pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

ii. Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(b) If the Company is subject to Rule 430C:

Each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

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(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of securities: The undersigned registrant undertakes that in a primary offering of securities of the registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer and sell such securities to the purchaser: (i) any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424; (ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant; (iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) Insofar as Indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provision, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and authorized this registration statement to be signed on its behalf by the undersigned, in the City of Reno, Nevada on May 5 , 2010.

ePhoto Image, Inc.

By: /s/ Petra Jaeger
Petra Jaeger
President, Chief Executive Officer, Principal Executive Officer,
Chief Financial Officer, Principal Financial Officer,
Principal Accounting Officer, and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Petra Jaeger as her true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for her and in her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or any of them, or of their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the dates stated.

By: /s/ Petra Jaeger
Petra Jaeger
President, Chief Executive Officer, Principal Executive Officer,
Chief Financial Officer, Principal Financial Officer,
Principal Accounting Officer, and Director
May 5, 2010