

**BC FORM 53-901F  
(Previously Form 27)**

**MATERIAL CHANGE REPORT UNDER SECTION 85(1)  
OF THE SECURITIES ACT (BRITISH COLUMBIA)  
AND SECTION 118(2) OF THE SECURITIES ACT (ALBERTA)**

**1. REPORTING ISSUER**

Zarcán International Resources Inc. (the "Company")  
Suite #908, 1100 Melville Street  
Vancouver, British Columbia V6E 4A6

**2. DATE OF MATERIAL CHANGE**

August 29, 2003

**3. NEWS RELEASE**

August 29, 2003

**4. SUMMARY OF MATERIAL CHANGE**

Second Quarter Results and Update on Business Activities.

**5. FULL DESCRIPTION OF MATERIAL CHANGE**

See a copy of the News Release annexed hereto as Exhibit "A" for further details.

**6. RELIANCE ON CONFIDENTIALITY SECTION OF THE ACT**

Not applicable. This report is not being filed on a confidential basis.

**7. OMITTED INFORMATION**

No information has been omitted in this regard

**8. SENIOR OFFICER**

Inquiries in respect of the material change referred to herein may be made to:

Farrokh Elmieh  
President & CEO  
Telephone: (604) 683-7837

9. **STATEMENT OF SENIOR OFFICER**

The foregoing accurately discloses the material change referred to herein.

DATED at Vancouver, British Columbia, this 29<sup>th</sup> day of August, 2003.

*"Farrokh Elmieh"*

Farrokh Elmieh  
President & CEO

## EXHIBIT "A"

### **ZARCAN INTERNATIONAL RESOURCES INC.**

**TRADING SYMBOL TSX VENTURE EXCHANGE – ZRI**

**Last Trade: \$0.07**

## **NEWS RELEASE**

**FOR IMMEDIATE RELEASE**

**August 29, 2003**

### **SECOND QUARTER RESULTS AND UPDATE ON BUSINESS ACTIVITIES**

Vancouver, British Columbia, Canada – Zarcán International Resources Inc. (the "Company") wishes to announce the financial results for the second quarter ended June 30, 2003, and provides an update on its operating activities. The Company has released its BC Form 51-901F First Quarter Report containing financial statements prepared without audit, for the six months ended June 30, 2003 (the "Quarterly Report"). Pursuant to the requirements of National Instrument 54-102, this news release provides a reasonable summary of the information contained in the Quarterly Report. Concurrently with this news release, the Company is filing the Quarterly Report with the regulatory authorities through SEDAR ([www.sedar.com](http://www.sedar.com)) and has mailed it to shareholders whose names appear on the Company's Supplemental List. A copy of the Quarterly Report is available upon request. Corporate Updates

#### Financial Review – Discussion and Analysis of First Quarter Results

At the end of the current quarter the company had a working capital deficit of \$1,700,826 and a long-term loan payable of \$1,202,681. During this quarter the Company and its subsidiaries spent a total of \$62,336 on its properties compared to \$132,336 (53%) in the second quarter of 2002. The distribution is as follows:

|                              | Q2 2003  | Q2 2002   | Change      |       |
|------------------------------|----------|-----------|-------------|-------|
| Iran (Sistan va Baluchestan) | \$49,393 | \$15,539  | \$33,854    | 218%  |
| Brazil (Paraúna)             | \$12,943 | \$116,797 | (\$103,854) | (89%) |
| Total                        | \$62,336 | \$132,336 | (\$70,000)  | (53%) |

Comparative figures for the second quarter show an overall decrease of 53%, indicating the reduced funding.

### **IRANIAN PROJECTS**

#### **Sistan va Baluchestan Exploration Project**

On May 16, 2003 the management of the Company announced that it had received the extension of exploration licenses granted by the Iranian Ministry of Industries and Mines (the "Ministry") for 10 concession areas located in the Province of Sistan va Baluchestan in southeastern Iran. The concessions, each about 40 sq km, were selected after four years of regional mapping by geologists of Madani Zarcán Taftan Co., of which the Company's has a majority interest, of 30,800 square kilometers in that province (Phase I program). The concessions contain favorable exploration targets based on regional geological mapping, geochemistry, historical mining and geophysics. The Phase II exploration program was continued in the current quarter with the aim to secure proper title documents for the following 10 concession areas. The company received the Exploration Licenses at the beginning of the year. The Company currently has problems of local access to the area known as "Kutan". Currently the Company is trying to reach an agreement with the tribal people.

## **Agh Darreh Gold Project**

On July 7, 2003 the Company announced that as of July 1, 2003 the fourth stage of capital increase from 20,000,000,000 Rls. (approximately \$2.5M USD) to 24,000,000,000 Rls.(approximately \$3M USD) of the Company's Iranian affiliate Pouya Zarcán Agh Darreh Company ("PZA") has been successfully completed. The Company is unable to participate in this capital increase due to lack of financing caused by problems still arising in the Middle East. The Company retains 33 1/3% of capital shares of PZA. On July 7, 2003 the Company announced that there was a capital increase from 20,000,000,000 Rls. (approximately \$2.5M USD) to 24,000,000,000 Rls.(approximately \$3M USD) in PZA. The Company was unable to participate in this capital increase due to lack of financing caused by problems still arising in the Middle East. PZA held its Extraordinary General Meeting of Shareholders ("EGM"). At PZA'S EGM, shareholder approval was received to increase PZA's share capital from \$3M USD. to \$6M USD. Therefore in order for the Company to maintain its current share position of 33 1/3% in PZA, it would have to participate in this financing. As previously announced the Company is currently unable to do so.

On July 28, 2003 the Company announced that the Company had entered into a letter of intent with Naseem commercial Brokerage LLC (the "Letter of Intent"), which sets out the basic terms on which the company propose to settle its debt obligation to Naseem. Mr. Gholami and the Company entered into a Loan Agreement on May 20, 2001 (\$800,000 USD.) This loan has been assigned to Naseem Commercial Brokerage LLC on July 26 2003 (hereinafter the "Naseem Loan"). The Naseem Loan with accrued interest is equivalent to \$1.4M CDN. (at the time of execution of the Naseem Loan \$800,000 USD. was equivalent to \$1.2 M CDN.). Pursuant to the Naseem Loan, one of the terms was that the Company would maintain its share participation in the Company's Iranian affiliate, Pouya Zarcán Agh Darreh Company ("PZA").

The Letter of Intent provides that the terms of the proposed Settlement Agreement will be as follows: i) Naseem will acquire 80% interest in Zarcán Minerals Inc.(the Company's wholly owned subsidiary); ii) Naseem agrees that his majority interest in Zarcán Minerals Inc. will be subject to the condition that the Company's SVb Projects and the DF-II Paraúna Property are not included and that it pertain solely to the Company's PZA share position; iii) Zarcán Minerals Inc. will act as the trustee of the Company with respect to the SvB project and DFII Paraúna Property and all actions will be completed upon the request of the Company; iv) Zarcán Minerals Inc. will transfer the shares which it owns in the DFII or Iranian companies shares with the exception of PZA to the parties which the Company will nominate; v) Naseem will pay \$50,000 USD. to trust account upon receipt of TSXV approval and money will be released to the company when share is legally transferred vi) Naseem to pay to the Company \$50,000 USD. On January 31 2004; vii) Naseem pay to the Company \$3.00 USD./per ounce of gold produced from Agh Darreh Project after production for a period of 3 years; viii) the Company will have first charge on the 29% of Naseem's interest in Zarcán Minerals Inc. Future payment of monies owed to the Company by Naseem will complete the transaction and the first charge of the 29% of the shares will be released; ix) Naseem shall not, without the prior written consent of the Company, incur, assume, guarantee any mortgage, charge, pledge, lien or other encumbrance on, or the sale of 29% of the shares of Zarcán Minerals Inc. Completion of the transaction is conditional upon the execution of the Settlement Agreement by Company and Naseem and receipt of the TSX Venture Exchange acceptance. On August 8, 2003 the Company received conditional approval from the TSX Venture Exchange. The Company is currently preparing the required documentation to receive final approval from the TSX Venture Exchange.

## **BRAZILIAN PROJECT**

### **Paraúna Diamond and Gold Project**

On August 11, 2003 the Company announced that it was to enter into an agreement (the "Agreement") to redistribute its shareholding ("cotas") in Mineração DF-II Limitada ("DF-II") from Zarcán Minerals Inc. ("Zarcán"), the Company's wholly owned subsidiary, to JURUEMA – Sociedade de Mineração Juruema Ltda.

("Juruema"), a Brazilian mining company, and Richard Wenderoth, and has issued a Letter of Intent to that effect. Zarcán presently owns 95% and Juruema 5% of the cotas of DF-II. DF-II holds the mining rights to the diamonds and gold bearing Paraúna Property located in the Paraúna river valley in the state of Minas Gerais in Brazil. An in-house Feasibility Study indicates that the Paraúna Property could be put into production by investing US\$2 million. The Company has tried to find such financing, however, without success. Additionally, the Company as shareholder of DF-II has liabilities of approximately US\$139,000 as of March 31, 2003.

Pursuant to the final Agreement, Zarcán will transfer all its cotas of DF-II to Juruema and Richard Wenderoth in the following distribution: Juruema 70% and Richard Wenderoth 25 %. Together with the 5% Juruema currently owns, Juruema will then have 75%. Juruema is prepared to transfer 25% of its cotas to a third party, which is prepared to invest US\$150,000 immediately as a non-interest bearing loan to bridge the time until a financing of US\$2 million is in place. After the completion of the bridge financing, the distribution will be as follows: Juruema 50%, Richard Wenderoth 25% and the third part 25% for a total of 100%. The acceptance of the transaction by Juruema and Richard Wenderoth and the completion of the Agreement is subject to the completion of the bridge financing

As compensation for the transfer of the cotas Zarcán will receive the following:

1. Release of US\$239,000 of debt owing to Richard Wenderoth;
2. Transfer of an amount payable to Ted Reimchen (a director of the Company) to Richard Wenderoth and release of the same by Richard Wenderoth;
3. A mining royalty of 3% of the gross operating margin (GOM), once the Paraúna Property is put into production, starting in the third year after the commercial production has commenced (third year expected to be 2005);
4. Subject to the approval of the Brazilian Central Bank, conversion of its net investment funds transferred to DF-II into a non-interest bearing loan, and repayment of this loan out of profits starting in the fourth year after commercial production has commenced in annual installments of US\$250,000 (fourth year expected to be 2006). In case the Central Bank of Brazil does not agree to this conversion, the net investment funds will in any event be repaid to Zarcán in the manner set out in paragraphs 3 and 5 of this Proposal but may be subject to Brazilian taxes to be absorbed by Zarcán;
5. The new owners will endeavor to put the Paraúna Property into production by finding an investor who is willing to invest US\$2 million to put the property into production against offering that party a shareholding (cotas) in DF-II. The other shareholders will be diluted proportionately;
6. In case the Paraúna Property is not put into production but is sold to another party, then the proceeds from the sale will be used as follows:
  - With first priority to settle all debts to non-shareholders
  - With second priority to settle the debt owing to Juruema as service provider
  - With third priority to repay the loan of US\$150,000 to the Investing Party
  - With fourth priority to repay Zarcán's net investment as per item 4 above to Zarcán
  - With fifth priority to repay to Richard Wenderoth USD239,000 and debts owed by Zarcán to Ted Reimchen and assumed by Richard Wenderoth.

The Company is party to an Option Agreement dated July 15, 1997 as amended by Amending Agreement dated July 5, 1999, ("the Option Agreement") with certain Vendors and Juruema, whereby the Company is to issue to the Vendors and Juruema in aggregate 500,000 shares in the capital of the Company, subject to certain conditions. As a condition to enter into the Agreement, the Vendors and Juruema are prepared to release the Company from the obligation to issue the above 500,000 shares. With said release, the Option Agreement is deemed to have been completed; consequently, all conditions of the Option Agreement are deemed to be fulfilled and the Option Agreement is terminated, releasing all parties to the Option Agreement from any and all entitlements, rights, obligations and liabilities under the Option Agreement.

With this transaction the Company will have disposed of all its properties in Brazil with the aim to concentrate its resources and efforts on properties in Iran. Completion of the transaction is conditional upon the receipt of the TSX Venture Exchange acceptance. On August 15, 2003 the Company received conditional approval from the TSX Venture Exchange. This transaction is also conditional upon shareholder approval at an Extraordinary General Meeting of Shareholders. The Company is currently preparing the required documentation to file with the TSX Venture Exchange.

### **Liquidity and Capital Resources**

The September 11, 2001 events and the subsequent developments in the Middle East region have dried up the financing sources for the company's Iranian projects. Notwithstanding these difficulties, the Company is presently negotiating various possibilities for joint venture financings of the Paraúna Project (which may also include an outright sale) as well as for the Agh Darreh Gold Project.

### **Interest of Management in Material Transactions**

As disclosed during the first quarter for the period ended March 31, 2003, there is an outstanding loan in the amount of \$450,000 by a company under the control of Farrokh Elmieh.

### **Financings**

No financing was completed in the current quarter. Funds were advanced by certain officers and directors of the Company.

Zarcan International Resources Inc. is a Canadian mineral exploration company incorporated in British Columbia, Canada with its head office in Vancouver, British Columbia, with interests in properties located primarily in Iran and Brazil. The Company's common shares trade on the TSX Venture Exchange under trading symbol ZRI. The Company aims to identify low-cost mining projects internationally and acquire advanced stage projects predominantly in the precious and base metal sectors.

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

*"Farrokh Elmieh"*

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Farrokh Elmieh  
President & CEO

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