



**BC FORM 51-901F**

**QUARTERLY AND YEAR END REPORT**

**SCHEDULE A – FINANCIAL STATEMENTS**

**FIRST AU STRATEGIES CORP.**

**for the twelve months ended June 30, 2002**

Refer to the enclosed Audited Financial Statements:

1. Balance Sheets as at June 30, 2002 and 2001.
2. Statements of Operations and Deficit for twelve months ended June 30, 2002 and 2001.
3. Statements of Cash Flows for the twelve months ended June 30, 2002 and 2001.

Financial Statements of

**FIRST AU STRATEGIES CORP.**

Years ended June 30, 2002 and 2001



**KPMG LLP**  
**Chartered Accountants**  
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## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of First Au Strategies Corp. as at June 30, 2002 and 2001 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

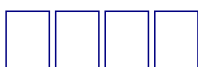
In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

### **KPMG LLP (signed)**

Chartered Accountants

Vancouver, Canada

July 30, 2002, except as to note 8  
which is as of September 30, 2002



KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss nonoperating association.

# FIRST AU STRATEGIES CORP.

## Balance Sheets

June 30, 2002 and 2001

	2002	2001
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 34,711	\$ 193,966
Accounts receivable	7,420	3,179
Prepaid expenses	44,715	8,996
	<u>86,846</u>	<u>206,141</u>
Mineral properties (note 3)	208,046	-
Office and computer equipment (note 4)	10,424	13,067
	<u>\$ 305,316</u>	<u>\$ 219,208</u>

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 98,141	\$ 27,038
Shareholder advances	45,000	5,000
Due to related parties (note 6)	76,040	29,364
	<u>219,181</u>	<u>61,402</u>
Shareholders' equity:		
Capital stock (note 5)	1,673,691	1,293,216
Contributed surplus	1,875	-
Deficit	(1,589,431)	(1,135,410)
	<u>86,135</u>	<u>157,806</u>
	<u>\$ 305,316</u>	<u>\$ 219,208</u>

Going concern (note 1)  
Subsequent event (note 8)

See accompanying notes to financial statements.

Approved on behalf of the Board:

"Kaare G. Foy" Director

"Robert A. Archer" Director

# FIRST AU STRATEGIES CORP.

## Statements of Operations and Deficit

Years ended June 30, 2002 and 2001

	2002	2001
Expenses:		
Amortization	\$ 2,643	\$ 3,320
Consulting	84,037	13,029
Directors fees	30,000	22,500
Exploration	6,454	-
Filing fees	19,236	6,425
Foreign exchange loss (gain)	3,201	(5,394)
Investor relations	32,500	2,903
Management fees	33,000	30,000
Office and miscellaneous	31,097	25,201
Printing	10,488	4,132
Professional fees	99,649	34,874
Rent	51,316	30,127
Telephone	8,948	6,343
Transfer agent fees	4,964	5,205
Travel	41,837	6,416
Loss before undernoted	(459,370)	(185,081)
Recovery of consulting fees	5,349	43,581
Settlement of debt (note 6(d))	-	302,437
Write-off of mineral property	-	(1)
	5,349	346,017
Net earnings (loss) for the year	(454,021)	160,936
Deficit, beginning of year	(1,135,410)	(1,296,346)
Deficit, end of year	\$ (1,589,431)	\$ (1,135,410)
Earnings (loss) per share (note 2(h))	\$ (0.08)	\$ 0.07
Diluted earnings (loss) per share (note 2(h))	\$ -	\$ 0.06

See accompanying notes to financial statements.

# FIRST AU STRATEGIES CORP.

## Statements of Cash Flows

Years ended June 30, 2002 and 2001

	2002	2001
Cash flows from (used in) operating activities:		
Net earnings (loss) for the year	\$ (454,021)	\$ 160,936
Adjustment to reconcile net earnings (loss) to cash provided by operating activities:		
Amortization	2,643	3,320
Recovery of consulting fees	(5,349)	(43,581)
Settlement of debt (note 6(d))	-	(302,437)
Write-off of mineral property	-	1
Changes in non-cash operating working capital:		
Accounts receivable	(4,241)	(1,405)
Prepaid expenses	(35,719)	(8,996)
Accounts payable and accrued liabilities	76,452	(15,394)
Due to related parties	46,676	(36,700)
Net cash used in operating activities	(373,559)	(244,256)
Cash flows used in investing activities:		
Mineral properties	(156,796)	-
Net cash used in investing activities	(156,796)	-
Cash flows from financing activities:		
Issuance of shares for cash, net of costs	331,100	401,734
Shareholder advances	40,000	5,000
Net cash from financing activities	371,100	406,734
Increase (decrease) in cash and cash equivalents	(159,255)	162,478
Cash and cash equivalents, beginning of year	193,966	31,488
Cash and cash equivalents, end of year	\$ 34,711	\$ 193,966
Supplementary information:		
Income taxes paid	\$ -	\$ -
Interest paid	-	-
Non-cash financing activities:		
Shares issued on settlement of amounts due to related parties	-	200,000
Shares issued on acquisition of mineral property interests	51,250	-
Cancellation of common shares in escrow	(1,875)	-

See accompanying notes to financial statements.

# FIRST AU STRATEGIES CORP.

Notes to Financial Statements

Years ended June 30, 2002 and 2001

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## 1. Going concern:

First Au Strategies Corp. (the "Company") was continued under the Business Corporation Act (Yukon) on March 17, 1997. On April 20, 1999 the Company changed its name to First Au Strategies Corp.

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

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. There is substantial doubt about the appropriateness of using the going concern assumption by the Company because during the year ended June 30, 2002 the Company incurred a loss of approximately \$454,000. The Company also used cash for operations of approximately \$374,000 in 2002 and \$244,000 in 2001. In addition, the Company has a working capital deficit of approximately \$132,000 and deficit of approximately \$1,589,000 at June 30, 2002. The Company's continuing operations and the ability of the Company to discharge its liabilities and fulfill its commitments as they come due is dependent upon the ability of the Company to continue to obtain equity financing. Effective September 30, 2002, the Company issued an amended and restated short form offering document with the purpose of obtaining equity financing of a maximum of \$800,000 and minimum of \$400,000 (note 8). At September 30, 2002, the minimum equity subscription amount of \$400,000 had not been achieved. Failure to continue as a going concern would require the restatement of assets and liabilities on a liquidation basis, which would differ materially from the going concern basis.

## 2. Significant accounting policies:

### (a) Mineral properties:

The Company capitalizes the acquisition cost of mineral properties and defers exploration and development expenditures directly related to specific mineral properties until such time as the extent of mineralization has been determined and the mineral properties are developed, the Company's mineral rights are allowed to lapse, exploration is discontinued or the Company determines that the deferred costs are in excess of the estimated net recoverable amount. At that time the deferred costs are either amortized on a unit-of-production basis, written off or written down, as appropriate.

Mineral property acquisition costs include the cash consideration paid and the fair value of common shares issued, based on the trading price of the shares on the date of the agreement to issue the shares.

# FIRST AU STRATEGIES CORP.

Notes to Financial Statements

Years ended June 30, 2002 and 2001

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## 2. Significant accounting policies (continued):

### (a) Mineral properties (continued):

Refundable mineral exploration tax credits are recorded on receipt as the amounts are subject to acceptance by the taxation authorities.

Amounts shown for mineral properties represent costs incurred to date and do not necessarily reflect present or future values.

### (b) Office and computer equipment:

Office and computer equipment is recorded at cost. Amortization on computer equipment is provided at 30% per annum on a declining balance basis. Amortization on all other office equipment is provided at 20% per annum on a declining balance basis.

### (c) Stock-based compensation:

The Company grants incentive stock options to employees, directors and consultants under TSX Venture Exchange ("TSX") policies. No compensation expense is recorded when the options are granted. Any consideration paid on the exercise of stock options is credited to share capital.

### (d) Foreign currency translation:

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

### (e) Cash and cash equivalents:

Cash and cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and have maturity dates of three months or less from the date of purchase.

### (f) Fair value of financial instruments:

The carrying amounts of cash and cash equivalents and accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term nature. The fair value of amounts due to related parties and shareholders cannot be reasonably estimated due to uncertainty as to timing and method of repayment.

# FIRST AU STRATEGIES CORP.

Notes to Financial Statements

Years ended June 30, 2002 and 2001

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## 2. Significant accounting policies (continued):

### (g) Income taxes:

Income taxes are accounted for using the asset and liability method.

Under this method of tax allocation, 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 loss carry forwards. Future income tax assets and liabilities are measured using the enacted 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 enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is, in management's estimation, more likely than not to be realized.

### (h) Loss per share:

In December 2000, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") revised Section 3500 of the CICA Handbook, "*Earnings per Share*" ("Section 3500"). Section 3500 requires the use of the treasury stock method of calculating diluted earnings (loss) per share and requires contingently issuable or returnable shares to be excluded from the calculation of weighted average number of shares outstanding until all conditions necessary for their issuance or release from escrow have been satisfied. Basic loss per share continues to be calculated using the weighted average number of shares outstanding during the year.

Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of stock options or warrants is applied to repurchase common shares at the average market price for the period.

During the year ended June 30, 2002, the Company adopted the recommendations of Section 3500 with retroactive restatement for fiscal 2001. As a result of excluding shares held in escrow, the basic earnings per share for fiscal 2001 changed from the previously reported \$0.06 to \$0.07. There was no effect on the previously reported diluted income per share for fiscal 2001 resulting from the exclusion of the escrow shares in the calculation of the diluted weighted average number of shares. The diluted loss per share for fiscal year 2002 is not disclosed as it is anti-dilutive in effect.

# FIRST AU STRATEGIES CORP.

Notes to Financial Statements

Years ended June 30, 2002 and 2001

## 2. Significant accounting policies (continued):

### (i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 the recoverability of mineral property deferred costs, useful lives of office and computer equipment for purposes of calculating amortization and valuation allowance of future tax assets. Actual results could differ from those estimates.

### (j) Comparative figures:

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

## 3. Mineral properties:

	Leg Lake (a)	Casummit Lake (b)	Birch Lake	Jim Lake	Nickleby Lake (c)	Thorn (d)	Total	
							2002	2001
Option payments:								
Cash consideration	\$ 5,000	\$ 10,000	\$ -	\$ -	\$ 7,500	\$ 15,000	\$ 37,500	\$ -
Common shares	5,000	17,000	-	-	4,250	25,000	51,250	-
Staking	9,300	2,350	15,270	16,700	1,150	-	44,770	-
Analysis	541	329	-	-	-	-	870	-
Field costs	1,328	-	11,025	-	-	3,207	15,560	-
Project administration	6,645	8,388	1,912	2,243	2,992	12,640	34,820	-
Geology	-	4,000	-	-	-	3,378	7,378	-
Geophysics	8,397	-	-	-	-	-	8,397	-
Linecutting	7,501	-	-	-	-	-	7,501	-
Total exploration and development expenditures during the year	43,712	42,067	28,207	18,943	15,892	59,225	208,046	-
Balance, beginning of year	-	-	-	-	-	-	-	-
Balance, end of year	\$ 43,712	\$ 42,067	\$ 28,207	\$ 18,943	\$ 15,892	\$ 59,225	\$ 208,046	\$ -

# FIRST AU STRATEGIES CORP.

Notes to Financial Statements

Years ended June 30, 2002 and 2001

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### 3. Mineral properties (continued):

(a) Leg Lake property:

Effective November 22, 2001, the Company entered into an option agreement which grants the Company the exclusive working right and option, for a period of four years, to purchase the mining claims comprising the Leg Lake property situated in the Red Lake Mining Division, Northwestern Ontario. In consideration for the working right and purchase option the Company paid \$5,000 and issued 25,000 common shares. In order to maintain in force the working right and purchase option, the Company must make payments and issue shares as follows:

- (i) On or before November 22, 2002, the Company must pay \$8,000 and issue 25,000 common shares;
- (ii) On or before November 22, 2003, the Company must pay \$12,000 and issue 25,000 common shares;
- (iii) On or before November 22, 2004, the Company must pay \$15,000 and issue 25,000 common shares; and
- (iv) On or before November 22, 2005, the Company may exercise the purchase option. Should the Company elect to proceed it must pay an additional \$45,000.

The Company may terminate the option agreement at any time or let it lapse by failing to pay any or all of the payments and share issuances referred to above. Provided that the Company has paid, in respect of the option agreement, the total of \$85,000 and has issued a total of 100,000 common shares, the Company may exercise its purchase option resulting in it being deemed to have purchased 100% interest in the mining claims. If the Company exercises the purchase option the Company is required to pay, if and when the mining claims are put into commercial production, a royalty equal to 2% of the Net Smelter Return. The Company has the right at any time and at its option to purchase one-half of the 2% Net Smelter Return for the sum of \$1,000,000.

# FIRST AU STRATEGIES CORP.

Notes to Financial Statements

Years ended June 30, 2002 and 2001

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### 3. Mineral properties (continued):

#### (b) Casummit Lake property:

Effective October 31, 2001, the Company entered into an option agreement which grants the Company the exclusive working rights and the option, for a period of two years, to purchase a 51% interest in the Casummit Lake mining claims located in the Red Lake Mining Division, Northwestern Ontario. In consideration for the working right and purchase option, the Company paid \$10,000 and issued 100,000 common shares. In order to maintain in force the working right and purchase option, the Company must make payments and issue shares as follows:

- (i) Before October 31, 2002, pay \$10,000 and issue 50,000 common shares and incur expenditures of at least \$250,000 on mining operations in respect of the mining claim; and
- (ii) Before October 31, 2003, the Company must pay \$20,000 and issue 50,000 common shares and incur cumulative expenditures of at least \$650,000 in respect of the mining claim.

The Company may terminate the option agreement at any time or let it lapse by failing to pay any or all of the payments and share issuances referred to above. Provided that the Company has paid in respect of the option agreement the total of \$40,000, has issued a total of 200,000 common shares and has incurred cumulative expenditures in respect of the mining claims of at least \$650,000 before October 31, 2003, the Company may exercise its purchase option resulting in it being deemed to have purchased a 51% interest in the mining claims. If the Company exercises the purchase option, it will participate in a joint venture for the further development of the mining claims.

#### (c) Nickleby Lake property:

Effective November 6, 2001, the Company entered into an option agreement which grants the Company the exclusive working right and option, for a period of four years, to purchase the mining claims comprising the Nickleby Lake property situated in the Thunder Bay Mining Division, Northwestern Ontario. In consideration for the working right and purchase option the Company paid \$7,500 and issued 25,000 common shares. In order to maintain in force the working right and purchase option, the Company must make payments and issue shares as follows:

- (i) On or before November 6, 2002, the Company must pay \$12,500 and issue 25,000 common shares;
- (ii) On or before November 6, 2003, the Company must pay \$15,000 and issue 25,000 common shares;
- (iii) On or before November 6, 2004, the Company must pay \$25,000 and issue 25,000 common shares; and
- (iv) On or before November 6, 2005, the Company may exercise the purchase option. Should the Company elect to proceed it must pay an additional \$60,000.

# FIRST AU STRATEGIES CORP.

Notes to Financial Statements

Years ended June 30, 2002 and 2001

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### 3. Mineral properties (continued):

(c) Nickleby Lake property (continued):

The Company may terminate the option agreement at any time or let it lapse by failing to pay any or all of the payments and share issuances referred to above. Provided that the Company has paid in respect of the option agreement the total of \$120,000 and has issued a total of 100,000 common shares, the Company may exercise its purchase option resulting in it being deemed to have purchased 100% interest in the mining claims. If the Company exercises the purchase option the Company is required to pay, if and when the mining claims are put into commercial production, a royalty equal to 2% of the Net Smelter Return. The Company has the right at any time and at its option to purchase one-half of the 2% Net Smelter Return for the sum of \$1,000,000.

(d) Thorn property:

Effective March 1, 2002, the Company entered into an option agreement which grants the Company the exclusive working right and option, for a period of three years, to purchase an undivided 51% interest, in the Check-Mate, Stuart and Thorn Claims which are situated in the Atlin Mining Division, Northwestern British Columbia. In consideration for the working right and purchase option the Company paid \$15,000 and issued 100,000 common shares. In order to maintain in force the working right and purchase option, the Company must make payments and issue shares as follows:

- (i) On or before March 1, 2003, the Company must pay \$25,000 and issue 50,000 common shares and incur expenditures in respect of the mining claims of at least \$300,000;
- (ii) On or before March 1, 2004, the Company must pay \$50,000 and issue 50,000 common shares and incur cumulative expenditures in respect of the mining claims of at least \$700,000; and
- (iii) On or before March 1, 2005, the Company may give notice in writing of its intent to exercise the option. In order to make such an election the Company must have incurred an additional \$500,000 in mining expenditures in respect of the mining claims for total expenditures of \$1,200,000 and make an additional payment of \$100,000 and issue an additional 50,000 common shares for a total consideration of \$190,000 and 250,000 shares.

The Company may terminate the option agreement at any time or let it lapse by failing to pay any or all of the payments and share issuances referred to above. The interests in the Check-Mate claim is subject to a royalty charge in the amount of 2.0% of Net Smelter Returns and the interests in the Stuart claims are subject to a royalty of 3.5% of Net Smelter Returns from commercial operations. The Company has the right to acquire at any time, within one year of the commencement of commercial production, a 21.43% interest in the Stuart royalty (being 0.75% of the total 3.5% royalty) for consideration of \$1,000,000. The Company has the right at any time and at its option to purchase a 62.5% interest in the Check-Mate royalty (being 1.25% of the 2.0% royalty) and a 45.45% interest in the Stuart royalty (being 1.25% of the remaining 2.75% royalty) for consideration of \$2,000,000.

# FIRST AU STRATEGIES CORP.

Notes to Financial Statements

Years ended June 30, 2002 and 2001

## 4. Office and computer equipment:

2002	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 4,538	\$ 4,327	\$ 211
Furniture and fixtures	31,720	21,507	10,213
	\$ 36,258	\$ 25,834	\$ 10,424

2001	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 4,537	\$ 4,237	\$ 300
Furniture and fixtures	31,720	18,953	12,767
	\$ 36,257	\$ 23,190	\$ 13,067

## 5. Capital stock:

### (a) Authorized:

Unlimited number of common shares without par value

### (b) Issued:

	Number of shares	Stated value
Balance, June 30, 2000	1,371,674	\$ 691,482
Settlement of debt at \$0.20 per share, net of costs (i)	1,000,000	191,000
Private placement at \$0.15 per share, net of costs (ii)	2,800,000	410,734
Balance, June 30, 2001	5,171,674	1,293,216
Shares issued for mineral property interests, net of costs (iii)	250,000	51,250
Exercise of stock options at \$0.13 per share	420,000	54,600
Private placement at \$0.25 per share, net of costs (iv)	1,150,000	276,500
Cancellation of common shares in escrow (v)	(5,208)	(1,875)
	1,814,792	380,475
Balance, June 30, 2002	6,986,466	\$ 1,673,691

# FIRST AU STRATEGIES CORP.

Notes to Financial Statements

Years ended June 30, 2002 and 2001

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## 5. Capital stock (continued):

### (b) Issued (continued):

- (i) During the year ended June 30, 2001, the Company entered into a debt settlement agreement with Peregrine Corporate Limited (note 6(e)) providing for the settlement of \$200,000 of debt by the issuance of 1,000,000 shares at a price of \$0.20. Costs associated with this agreement were \$9,000.
- (ii) During the year ended June 30, 2001, the Company completed a \$420,000 private placement through the issuance of 2,800,000 common shares at \$0.15 per share. Costs associated with this issuance were \$9,266. Attached to the common shares are 2,280,147 non-transferable Series "C" share purchase warrants which entitle the holder to purchase 2,280,147 common shares of the Company for \$0.20 per share until April 9, 2003.
- (iii) During the year ended June 30, 2002, the Company issued, as consideration for the acquisition of working rights and options to purchase four mineral properties (note 3), 250,000 common shares at a price of \$0.17 to \$0.25 per share for a total of \$51,250;
- (iv) During the year ended June 30, 2002, the Company completed a private placement of 1,150,000 common shares at \$0.25 per share for net proceeds of \$276,500. Costs associated with this issuance were \$11,000. Attached to the common shares are 1,150,000 non-transferable Series "D" share purchase warrants which entitle the holder to purchase 1,150,000 common shares of the Company for \$0.30 per share until March 29, 2004;
- (v) During the year ended June 30, 2002, the holders of 5,208 escrow shares surrendered those shares for cancellation. The stated value of the escrow shares cancelled has been credited to contributed surplus; and
- (vi) Included in issued capital stock are 396,676 (2001 - 401,884) common shares held in escrow. The Company filed an Amendment to the Escrow Agreement dated December 21, 2001 whereby the escrow shares will be released over a 72 month time period. Subsequent to June 30, 2002, 19,833 escrow shares were released pursuant to the Amendment to the Escrow Agreement.

# FIRST AU STRATEGIES CORP.

Notes to Financial Statements

Years ended June 30, 2002 and 2001

## 5. Capital stock (continued):

### (c) Warrants:

The continuity of share purchase warrants for 2002 is as follows:

Type	June 30, 2001	Granted	Exercised	Expired	June 30, 2002	Price	Expiry date
Series "C"	2,280,147	-	-	-	2,280,147	\$ 0.20	April 9, 2003
Series "D"	-	1,150,000	-	-	1,150,000	0.30	March 29, 2004
	2,280,147	1,150,000	-	-	3,430,147		

Weighted average exercise price:

	\$ 0.20	\$ 0.30	-	-	\$ 0.23
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The continuity of share purchase warrants for 2001 is as follows:

Type	June 30, 2000	Granted	Exercised	Expired	June 30, 2001	Price	Expiry date
Series "C"	-	2,280,147	-	-	2,280,147	\$ 0.20	April 9, 2003

### (d) Stock options:

Subject to regulatory approval, the Company has reserved for issuance up to 20% of the issued common shares for incentive options to be granted to directors, officers, employees and other qualified persons.

Stock options are granted at exercise prices determined by reference to the market value of the shares at the date of grant and have expiry dates of no longer than five years.

The continuity of share purchase options for 2002 is as follows:

June 30, 2001	Granted	Cancelled	Exercised	June 30, 2002	Exercise price	Expiry date
37,208	-	(37,208)	-	-	\$ 1.80	December 23, 2001
5,150	-	(5,150)	-	-	1.80	March 11, 2002
-	410,000	-	(360,000)	50,000	0.13	November 3, 2006
-	100,000	-	(60,000)	40,000	0.13	November 4, 2002
-	440,000	-	-	440,000	0.13	December 1, 2006
-	70,000	-	-	70,000	0.31	July 4, 2003
42,358	1,020,000	(42,358)	(420,000)	600,000		

Weighted average exercise price:

	\$ 0.14	\$ 1.80	\$ 0.13	\$ 0.15
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# FIRST AU STRATEGIES CORP.

## Notes to Financial Statements

Years ended June 30, 2002 and 2001

### 5. Capital stock (continued):

#### (d) Stock options (continued):

The continuity of share purchase options for 2001 is as follows:

June 30, 2000	Granted	Cancelled	Exercised	June 30, 2001	Exercise price	Expiry date
37,208	-	-	-	37,208	\$ 1.80	December 23, 2001
5,150	-	-	-	5,150	1.80	March 11, 2002
42,358	-	-	-	42,358		

### 6. Related party transactions:

- (a) Amounts due to related parties consist of \$76,040 (2001 - \$29,364) due to directors or companies with directors in common. The balance is payable on demand without interest.
- (b) At June 30, 2002, the Company owes \$45,000 (2001 - \$5,000) to shareholders for advances. The balance is payable on demand without interest.
- (c) Included in mineral properties (note 3) are amounts totalling \$23,935 (2001 - nil) for geological consulting costs provided to the Company by a company controlled by a director of the Company. The amounts are recorded at the exchange amount agreed to by the parties.
- (d) Included in expenses are amounts totalling \$170,259 (2001 - \$112,023) for consulting, directors fees, management fees, accounting, rent, office and telephone provided to the Company from companies controlled by the directors of the Company. The amounts are recorded at the exchange amount agreed to by the parties.
- (e) During the year ended June 30, 2001, Peregrine Corporate Limited ("Peregrine"), a company with directors in common, agreed to:
  - (i) forgive \$302,437 of the \$502,437 of debt outstanding to Peregrine, and;
  - (ii) the settlement of the remaining \$200,000 of debt by way of issuance of 1,000,000 common shares of the Company at a price of \$0.20 per share.

# FIRST AU STRATEGIES CORP.

Notes to Financial Statements

Years ended June 30, 2002 and 2001

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## 7. Income taxes:

The Company has incurred non-capital losses of approximately \$1,598,000 for Canadian income tax purposes which can be carried forward to reduce net income for income tax purposes in future years. This amount comprises losses expiring in the fiscal years ending June 30:

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2004	\$ 80,000
2005	683,000
2006	475,000
2007	163,000
2008	-
2009	197,000

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The Company has also incurred net capital losses of approximately \$1,827,000 for Canadian tax purposes which can be carried forward to reduce future taxable capital gains.

As at June 30, 2002, the tax effect of the significant components within the Company's future tax asset are as follows:

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Non-capital losses carried forward	\$ 681,000
Net capital losses carried forward	778,000
Foreign resource pools	267,000
Mineral properties	63,000
Other	22,000
	1,811,000
Valuation allowance	(1,811,000)
	-
Net future income tax asset	\$ -

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## 8. Subsequent event:

Effective September 30, 2002, the Company issued a second amended and restated Short Form Offering Document ("Offering Document"). The Offering Document qualifies for distribution of up to 3,000,000 Flow-Through Units and 1,000,000 Non-Flow-Through Units of the Company, both at a price of \$0.20 per unit and for total gross proceeds of \$800,000. Each Flow-Through Unit will consist of one common share and one common share purchase warrant. Each Non-Flow-Through Unit will consist of one common share and two common share purchase warrants. Two share purchase warrants will entitle the holder to purchase one common share for a period of two years at a price of \$0.25 in the first year and at a price of \$0.30 in the second year. The Company has agreed to pay its issuing agent 8.5% of the gross proceeds from the sale of the Units and an administration fee of \$7,500. The agent will also be issued 250,000 common shares upon closing of the Offering as a corporate finance fee and the Company will pay all reasonable expenses incurred by the agent in connection with the Offering. The offering is subject to a minimum subscription of \$400,000 which has not been achieved at September 30, 2002.



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**QUARTERLY AND YEAR END REPORT**

**SCHEDULE B - SUPPLEMENTARY INFORMATION**

**FIRST AU STRATEGIES CORP.**

**for the twelve months ended June 30, 2002**

**1. Analysis of expenses and deferred costs:**

As disclosed separately in Schedule A - Financial Statements attached.

**2. Related party transactions are as follows:**

(a) Amounts due to related parties consist of:

- (i) \$67,680 due to companies with directors in common, and,
- (ii) \$8,360 due to a director of the Company.

(b) General and administrative expenses include the following:

- (i) Consulting fees of \$41,000 were paid to a company with a director in common.
- (ii) Directors' fees of \$30,000 were paid to directors of the Company.
- (iii) Management fees of \$33,000 were paid to a company with a director in common.
- (iii) Office rental and administration of \$66,259 were paid to a company with a director in common.

**3. For the current fiscal year-to-date:**

(a) Summary of securities issued during the period:

Date Of Issue	Type Of Security	Type Of Issue	Number Of Shares	Price Per Share	Total Proceeds	Type Of Consideration
Nov 20, 01	Common	Property payment	100,000	\$0.17	\$ 17,000	Mineral property
Nov 21, 01	Common	Property payment	25,000	\$0.17	\$ 4,250	Mineral property
Nov 30, 01	Common	Exercise of options	390,000	\$0.13	\$ 50,700	Cash
Dec 13, 01	Common	Property payment	25,000	\$0.20	\$ 5,000	Mineral property
Mar 28, 02	Common	Private placement	1,150,000	\$0.25	\$287,500	Cash
Apr 04, 02	Common	Exercise of options	30,000	\$0.13	\$ 3,900	Cash
Apr 05, 02	Common	Property payment	100,000	\$0.25	\$ 25,000	Mineral property

(b) Summary of options granted during the period:

Date	Number	Optionee	Exercise Price	Expiry Date
Nov 05, 01	90,000	Robert A. Archer	\$0.13	Nov 03, 06
Nov 05, 01	90,000	Kaare G. Foy	\$0.13	Nov 03, 06
Nov 05, 01	90,000	Bryan J. Frost	\$0.13	Nov 03, 06
Nov 05, 01	50,000	Wendy Ratcliffe	\$0.13	Nov 03, 06
Nov 05, 01	<u>90,000</u>	Richard Revelins	\$0.13	Nov 03, 06
	<u>410,000</u>			
Nov 05, 01	<u>100,000</u>	Consultant	\$0.13	Nov 04, 02
Dec 03, 01	110,000	Robert A. Archer	\$0.13	Dec 01, 06
Dec 03, 01	110,000	Kaare G. Foy	\$0.13	Dec 01, 06
Dec 03, 01	110,000	Bryan J. Frost	\$0.13	Dec 01, 06
Dec 03, 01	<u>110,000</u>	Richard Revelins	\$0.13	Dec 01, 06
	<u>440,000</u>			
Apr 09, 02	<u>70,000</u>	Consultant	\$0.31	Jul 04, 03

**4. As at June 30, 2002:**

(a) Summary of share capital:

Authorized - unlimited number of common shares without par value

Issued and outstanding -	Number	\$
Issued	6,986,466	\$1,673,691

(b) Summary of options, warrants and convertible securities outstanding:

	Number	Exercise Price	Expiry Date
Stock Options	50,000	\$0.13	Nov 03, 06
Stock Options	40,000	\$0.13	Nov 04, 02
Stock Options	440,000	\$0.13	Dec 01, 06
Stock Options	70,000	\$0.31	Jul 04, 03
Series "C" Warrants	2,280,147	\$0.20	Apr 09, 03
Series "D" Warrants	1,150,000	\$0.30	Mar 29, 04

(c) Total number of shares subject to escrow or pooling agreements:

Escrow shares	396,676
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**5. As at the date of this report:**

The names of the directors and officers are as follows:

Robert A. Archer	Director
Kaare G. Foy	Director, Chief Financial Officer
Bryan J. Frost	Director, Executive Chairman, Chief Executive Officer
Richard Revelins	Director
Wendy Ratcliffe	Secretary

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**QUARTERLY AND YEAR END REPORT**

**SCHEDULE C - MANAGEMENT DISCUSSION AND ANALYSIS**

**FIRST AU STRATEGIES CORP.**

**for the twelve months ended June 30, 2002**

Description of Business

Prior to the period of this report, the Company was designated an inactive issuer by the Canadian Venture Exchange ("the Exchange") pursuant to CDNX Policy 2.6. During the period of this report, the Company's inactive status was removed by the Exchange after having completed and received approval of its reorganization plan and having acquired an interest in a property of merit described below in "Operations and Financial Conditions".

Operations and Financial Conditions

During the period ended December 31, 2001, the Company signed an option agreement with Wolfden Resources Inc. ("Wolfden") to acquire an undivided 51% interest in the Casummit Lake Property. In consideration, the Company will make \$40,000 in cash payments, issue 200,000 shares and incur \$650,000 in exploration expenditures. The earn-in period will be two years. The agreement was accepted for filing by the Exchange and as such the initial option payment of \$10,000 was made and the initial 100,000 shares, having a deemed price of \$0.17 per share, were issued. The Company also acquired, by staking, 50 claim units located in the Red Lake Mining Division, Northwestern Ontario. These claim units are contiguous to the 51 claim units, which are the subject property of the option agreement with Wolfden, described above, and are collectively designated as the "Casummit Lake Property". \$15,067 in exploration expenses, including staking fees, was incurred to June 30, 2002.

During the period ended December 31, 2001, the Company signed an option agreement with Perry English to acquire an undivided 100% interest in the Nickleby Lake Property. In consideration, the Company will make \$120,000 in cash payments and issue 100,000 shares on or before the fourth anniversary of the option agreement. The agreement was accepted for filing by the Exchange and as such the initial option payment of \$7,500 was made and the initial 25,000 shares, having a deemed price of \$0.17 per share, were issued. The Company also acquired, by staking, 23 claim units located in the Thunder Bay Mining Division, Northwestern Ontario. These claim units together with the 47 claim units, which are the subject property of the option agreement with Perry English, described above, are collectively designated as the "Nickleby Lake Property". \$4,142 in exploration expenses, including staking fees, was incurred to June 30, 2002.

During the period ended December 31, 2001, the Company signed an option agreement with Perry English to acquire an undivided 100% interest in the Leg Lake Property. In consideration, the Company will make \$85,000 in cash payments and issue 100,000 shares on or before the fourth anniversary of the option agreement. The agreement was accepted for filing by the Exchange and as such the initial option payment of \$5,000 was made and the initial 25,000 shares, having a deemed price of \$0.20 per share, were issued. The Company also acquired, by staking, 186 claim units in the Red Lake Mining Division, Northwestern Ontario. These claim units together with the 35 claim units, which are the subject property of the option agreement with Perry English, described above, are collectively designated as the "Leg Lake Property". \$33,712 in exploration expenses, including staking fees, was incurred to June 30, 2002.

During the period ended September 30, 2001, the Company acquired, by staking, 334 claim units in the Thunder Bay Mining Division, Northwestern Ontario and are collectively designated as the "Jim Lake Property". \$18,943 in exploration expenses, including staking fees, was incurred to June 30, 2002.

During the period ended March 31, 2002, the Company signed an option agreement with Rimfire Minerals Corporation to acquire an undivided 51% interest in the Thorn Property located in the Atlin Mining Division, Northwestern British Columbia. The property consists of 11 mineral claims, totalling 207 contiguous claim units. In consideration, the Company will make \$190,000 in cash payments, issue 250,000 shares and incur \$1,200,000 in exploration expenditures. The earn-in period will be three years. The agreement was accepted for filing by the Exchange. During the period ended June 30, 2002, the initial option payment of \$15,000 was made and the initial 100,000 shares, having a deemed price of \$0.25 per share, were issued. \$19,225 in exploration expenses was incurred to June 30, 2002.

During the period ended June 30, 2002, the Company acquired, by staking, 240 claim units in the Red Lake Mining Division, Northwestern Ontario and are collectively designated as the "Birch Lake Property". \$28,207 in exploration expenses, including staking fees, was incurred to June 30, 2002.

The Company reports a loss of \$454,021 for the twelve months ended June, 2002 compared with a notional income of \$160,936, as a result of a debt settlement transaction, for the same twelve-month period in the previous year. Excluding the effects of the debt settlement transaction, the Company incurred a loss of \$141,501 for the period. The Company reports cash outflows from operations of \$373,559 for the twelve months ended June 30, 2002 compared with cash outflows from operations of \$244,256 for the same twelve-month period in the previous year.

As at June 30, 2002, amounts due to related parties consisted of \$67,680 due to companies with directors in common and \$8,360 due to a director of the Company.

During the period ended June 30, 2002, related party transactions included in general and administrative expenses consisted of consulting fees of \$41,000 paid to a company with a director in common, directors' fees of \$30,000 paid to directors of the Company, management fees of \$33,000 paid to a company with a director in common and office rental and administration of \$66,259 paid to a company with a director in common.

During the period ended December 31, 2001, the Company cancelled incentive stock options to purchase up to 37,208 shares exercisable at \$1.80 per share expiring December 23, 2001 and incentive stock options to purchase up to 5,150 shares exercisable at \$1.80 expiring March 11, 2002.

During the period ended December 31, 2001, the Company granted incentive stock options to directors and officers to purchase up to 410,000 shares exercisable at a price of \$0.13 per share expiring November 3, 2006. The options were accepted for filing by the Exchange. 360,000 of the incentive stock options were exercised for total proceeds of \$46,800.

During the period ended December 31, 2001, the Company entered into a consulting contract with Bevitor Holdings Ltd. ("Bevitor") to provide the consulting services of James H. Simpson, B.Sc. Mr. Simpson is the principal of Bevitor. Bevitor was granted an option to purchase up to 100,000 shares exercisable at \$0.13 per share vesting in three increments and expiring on November 4, 2002. The option was accepted for filing by the Exchange. 60,000 of the options were exercised for total proceeds of \$7,800. Subsequent to the period of this report, the remaining 40,000 of the options were exercised for total proceeds of \$5,200.

During the period ended June 30, 2002, the consulting contract was extended by a period of eight months and Bevitor was granted and the Exchange accepted for filing an option to purchase an additional 70,000 shares exercisable at \$0.31 per share vesting in two increments and expiring on July 4, 2003.

During the period ended December 31, 2001, the Company granted incentive stock options to directors to purchase up to 440,000 shares exercisable at a price of \$0.13 per share expiring December 1, 2006. The options were accepted for filing by the Exchange.

During the period ended March 31, 2002, the Company received approval from the Exchange to amend the escrow agreement dated February 27, 1997. The amendment converts the 396,676 shares remaining in escrow to a timed-release basis pursuant to the uniform escrow regime outlined in Canadian Securities administrators' Notice 46-301 and Canadian Venture Exchange Bulletin dated June 15, 2001, subject to an initial release time period of 72 months and providing for early release upon graduation as set out in the proposed uniform escrow regime. Subsequent to the period of this report, a 5% escrow release of 19,833 shares was effected.

During the period ended March 31, 2002, the Company received surrenders from all of the holders of the 5,208 shares remaining in escrow pursuant to the escrow agreement dated July 23, 1997 and as a result the 5,208 escrow shares were cancelled.

During the period ended June 30, 2002, the Company entered into an agreement with Windward Communications and Consulting ("Windward") of Charlotte, North Carolina. Windward will provide investor relations and shareholder communication services through conferences, presentations and publications and in consideration, the Company will pay a monthly fee of \$1,667.00 US. The agreement was accepted for filing by the Exchange.

During the period ended June 30, 2002, no material contracts or commitments were entered into other than those described above under "Operations and Financial Conditions" and below under "Financings, Principal Purposes and Milestones". The Company was without legal proceedings, contingent liabilities, default under debt or other contingent obligations, no management changes were made and no special resolutions were passed by shareholders.

#### Subsequent Events

No significant events or transactions have occurred during the time from the date of the financial statements up to the date of this report, other than those described above under "Operations and Financial Conditions" and below under "Financings, Principal Purposes and Milestones".

#### Financings, Principal Purposes and Milestones

During the period ended March 31, 2002, the Company received acceptance from the Exchange and issued through a non-brokered private placement, 1,150,000 shares at a price of \$0.25 per share, for gross proceeds of \$287,500 and 1,150,000 non-transferable Series D share purchase warrants ("warrant"). Each warrant entitles the holder to acquire one share at a price of \$0.30 per share for a period of two years.

Subsequent to the period of this report, the Company received acceptance from the Exchange and closed the financing under its Second Amended and Restated Short Form Offering Document. 1,602,500 flow-through units and 976,000 non flow-through units were sold at \$0.20 per unit for gross proceeds of \$515,700. Each flow-through unit consists of one flow-through common share and one transferable Series E share purchase warrant ("Series E warrant"). Each non flow-through unit consists of one common share and two transferable Series E warrants. Two Series E warrants and \$0.25 will be required to subscribe for one common (non flow-through) share on or before October 28, 2003 and thereafter at \$0.30 until October 28, 2004. The Company also issued 250,000 common shares as a corporate finance fee and agent's options to purchase up to 304,275 common shares. The agent's options are exercisable at the same prices and in the same time periods as the Series E warrants. Proceeds from the flow-through financing will be used primarily to fund the Casummit Lake Property and the Thorn Property.

The Company did not undertake any other financings during the period of this report.

### Liquidity and Solvency

The Company has incurred operating losses, after excluding the effects of the debt settlement transaction, and cash outflows from operations in the periods ended June 30, 2002 and 2001 and has a working capital deficiency of \$132,334 as at the year ended June 30, 2002 compared with a working capital of \$144,739 as at the year ended June 30, 2001. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going-concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

Note: The Canadian Venture Exchange ("the Exchange") is now called the TSX Venture Exchange.