

BC FORM 51-901F

QUARTERLY AND YEAR END REPORT

SCHEDULE A – FINANCIAL STATEMENTS

FIRST AU STRATEGIES CORP.

for the six months ended December 31, 2002

Refer to the enclosed Financial Statements:

1. Balance Sheets as at December 31, 2002 and June 30, 2002.
2. Statements of Operations and Deficit for the three-month period from October 1, 2002 to December 31, 2002, the six months ended December 31, 2002, the three-month period from October 1, 2001 to December 31, 2001 and the six months ended December 31, 2001.
3. Statements of Cash Flows for the three-month period from October 1, 2002 to December 31, 2002, the six months ended December 31, 2002, the three-month period from October 1, 2001 to December 31, 2001 and the six months ended December 31, 2001.

FIRST AU STRATEGIES CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited - Prepared by Management)

	December 31, 2002 \$	June 30, 2002 \$
ASSETS		
Current		
Cash and equivalents	55	34,711
Accounts receivable	41,000	7,420
Prepaid expenses	<u>21,491</u>	<u>44,715</u>
	62,546	86,846
Mineral properties	712,207	208,046
Capital assets	<u>9,371</u>	<u>10,424</u>
	<u>784,124</u>	<u>305,316</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	198,692	98,141
Shareholder advances	45,000	45,000
Due to related parties	<u>176,232</u>	<u>76,040</u>
	<u>419,924</u>	<u>219,181</u>
Shareholders' equity		
Capital stock	2,119,316	1,673,691
Subscriptions received in advance	67,600	-
Contributed surplus	1,875	1,875
Deficit	<u>(1,824,591)</u>	<u>(1,589,431)</u>
	<u>364,200</u>	<u>86,135</u>
	<u>784,124</u>	<u>305,316</u>

APPROVED BY THE DIRECTORS

"Robert A. Archer" Director

"Kaare G. Foy" Director

FIRST AU STRATEGIES CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited - Prepared by Management)

	Three month period from Oct 1, 2002 To Dec 31, 2002 \$	Six months ended Dec 31, 2002 \$	Three month period from Oct 1, 2001 to Dec 31, 2001 \$	Six months ended Dec 31, 2001 \$
EXPENSES				
Consulting	46,269	76,714	10,486	14,236
Depreciation	526	1,053	661	1,322
Directors fees	8,000	16,000	7,500	15,000
Filing fees	6,070	7,059	7,568	8,298
General exploration expense	-	500	-	-
Investor relations	11,630	27,148	299	497
Management fees	18,000	27,000	6,000	18,000
Office and miscellaneous	13,343	20,142	6,196	12,687
Printing	4,962	7,542	4,289	4,289
Professional fees	3,066	19,797	37,593	55,699
Rent	6,252	12,504	13,861	31,068
Telephone	52	88	3,958	6,258
Transfer agent fees	2,814	4,054	1,862	2,613
Travel	4,285	13,208	2,552	2,552
Foreign exchange (gain) loss	<u>1,919</u>	<u>2,351</u>	<u>1,127</u>	<u>1,520</u>
Income (loss) for the period	(127,188)	(235,160)	(103,952)	(174,039)
Deficit, beginning of period	<u>(1,697,403)</u>	<u>(1,589,431)</u>	<u>(1,205,497)</u>	<u>(1,135,410)</u>
Deficit, end of period	<u>(1,824,591)</u>	<u>(1,824,591)</u>	<u>(1,309,449)</u>	<u>(1,309,449)</u>
Income (loss) per share		<u>(0.03)</u>		<u>(0.03)</u>

FIRST AU STRATEGIES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Prepared by Management)

	Three month period from Oct 1, 2002 To Dec 31, 2002 \$	Six months ended Dec 31, 2002 \$	Three month period from Oct. 1, 2001 To Dec 31, 2001 \$	Six months ended Dec 31, 2001 \$
Cash flows from (used in) operating activities				
Income (loss) for the period	(127,188)	(235,160)	(103,952)	(174,039)
Items not involving cash:				
Depreciation	526	1,053	661	1,322
Change in non-cash working capital items				
Accounts receivable	(33,808)	(33,580)	(4,324)	(7,462)
Prepaid expenses	94,509	23,224	-	7,996
Accounts payable	60,992	100,551	28,024	31,659
Due to related parties	<u>18,127</u>	<u>100,192</u>	<u>4,327</u>	<u>3,626</u>
	<u>13,158</u>	<u>(43,720)</u>	<u>(75,264)</u>	<u>(136,898)</u>
Cash flows from (used in) investing activities				
Mineral properties	<u>(434,591)</u>	<u>(493,661)</u>	<u>(23,500)</u>	<u>(69,768)</u>
	<u>(434,591)</u>	<u>(493,661)</u>	<u>(23,500)</u>	<u>(69,768)</u>
Cash flows from (used in) financing activities				
Issuance of common shares	429,925	435,125	50,700	50,700
Subscriptions received in advance	<u>(12,400)</u>	<u>67,600</u>	<u>-</u>	<u>-</u>
	<u>417,525</u>	<u>502,725</u>	<u>50,700</u>	<u>50,700</u>
Change in cash and cash equivalents during the period	(3,908)	(34,656)	(48,064)	(155,966)
Cash and cash equivalents, beginning of period	<u>3,963</u>	<u>34,711</u>	<u>86,064</u>	<u>193,966</u>
Cash and cash equivalents, end of period	<u>55</u>	<u>55</u>	<u>38,000</u>	<u>38,000</u>

FIRST AU STRATEGIES CORP.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 2002

1. BASIS OF PRESENTATION

The interim period financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the previous year.

The preparation of financial data is based on accounting principles and practices consistent with those in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance Canadian generally accepted accounting principles has been condensed or omitted.

These interim period financial statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual filing. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

2. NATURE AND CONTINUANCE OF OPERATIONS

First Au Strategies Corp. ("the Company") previously operated under the names of Red Fox Minerals Ltd. and Earth King Resources Inc. On March 17, 1997 the Company was continued under the Business Corporations Act (Yukon) and the name was changed to West African Gold Corp. 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 these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete its exploration and development and upon future profitable production or proceeds from the disposition of the properties.

These interim period financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete equity financing, or generate profitable operations in the future.

	December 31, 2002	June 30, 2002
Deficit	\$ (1,824,591)	\$ (1,589,431)
Working capital (deficiency)	\$ (357,378)	\$ (132,335)

FIRST AU STRATEGIES CORP.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 2002

3. MINERAL PROPERTIES

	Birch Lake	Casummit Lake (a)	Jim Lake	Nickleby Lake (b)	Leg Lake (c)	Thorn (d)	Total	
							Dec 31, 2002	Jun 30, 2002
Option payments:								
Cash	\$ -	\$10,000	\$ -	\$ -	\$ 4,000	\$ -	\$14,000	\$37,500
Common shares	-	10,500	-	-	-	-	10,500	51,250
Staking	-	-	-	-	-	-	-	44,770
Analysis	-	4,746	-	-	-	6,817	11,563	870
Drilling	-	94,654	-	-	-	74,359	169,013	-
Field costs	-	56,733	-	-	-	117,375	174,108	15,560
Project admin	250	22,642	-	-	-	34,579	57,471	34,820
Geology	-	26,288	-	-	-	40,703	66,991	7,378
Geophysics	-	515	-	-	-	-	515	8,397
Linecutting	-	-	-	-	-	-	-	7,501
	250	226,078	-	-	4,000	273,833	504,161	208,046
Balance beginning of period	28,207	42,067	18,943	15,892	43,712	59,225	208,046	-
Balance, end of period	\$28,457	\$268,145	\$18,943	\$15,892	\$47,712	\$333,058	\$712,207	\$208,046

a) Casummit Lake Property:

Effective October 31, 2001, the Company entered into an option agreement which grants the Company the exclusive working right and option, for a period of two years, to purchase a 51% undivided interest in the Casummit Lake mining claims situated 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) On or before October 31, 2002, the Company must pay \$10,000 and issue 50,000 common shares and incur expenditures of at least \$250,000 in respect of the mining claims;
- ii) On or 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 claims.

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 make any or all of the share issuances referred to above. Upon exercising the option, the Company will then participate in a joint venture for the further exploration and development of the mining claims, with its initial participating interest being 51%.

FIRST AU STRATEGIES CORP.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
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b) 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 a 100% undivided interest in 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;
- 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.

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 make any or all of the share issuances referred to above. Upon exercising the option, the Company's 100% interest will be subject to a 2% Net Smelter Return royalty, of which 1% can be purchased for \$1,000,000.

During the period ended December 31, 2002, the Company terminated the option agreement. The Company was not able to meet all the conditions of termination and as compensation agreed to issue 25,000 common shares. The share issuance was approved by the Exchange.

c) 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 a 100% undivided interest in 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 (subsequently amended to \$4,000, amendment approved by the Exchange) and issue 25,000 common shares (subsequently amended to 40,000, amended approved by the Exchange);
- 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;
- 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 make any or all of the share issuances referred to above. Upon exercising the option, the Company's 100% interest will be subject to a 2% Net Smelter Return royalty, of which 1% can be purchased for \$1,000,000.

FIRST AU STRATEGIES CORP.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31, 2002

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 a 51% undivided interest in the Thorn Property situated in the Atlin Mining Division, Northwestern British Columbia. The Property is subject to a 3% Net Smelter Return royalty, of which 2% can be purchased from the underlying vendors for \$3,000,000. In consideration for the working right and purchase option the Company must pay \$15,000 and issue 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 of at least \$300,000 in respect of the mining claims;
- ii) On or before March 1, 2004, the Company must pay \$50,000 and issue 50,000 common shares and incur cumulative expenditures of at least \$700,000 in respect of the mining claims;
- iii) On or before March 1, 2005, the Company must pay \$100,000 and issue 50,000 common shares and incur cumulative expenditures of at \$1,200,000 in respect of the mining claims.

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 make any or all of the share issuances referred to above. If the Company wishes to exercise the option, the optionor must first exercise its underlying option and the Company will then participate in a joint venture for the further exploration and development of the mining claims, with its initial participating interest being 51%.

4. CAPITAL ASSETS

December 31, 2002	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 4,538	\$ 4,359	\$ 179
Furniture and fixtures	<u>31,720</u>	<u>22,528</u>	<u>9,192</u>
	\$ 36,258	\$ 26,887	\$ 9,371
June 30, 2002	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 4,538	\$ 4,327	\$ 211
Furniture and fixtures	<u>31,720</u>	<u>21,507</u>	<u>10,213</u>
	\$ 36,258	\$ 25,834	\$ 10,424

FIRST AU STRATEGIES CORP.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
Six months ended December 31
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5. CAPITAL STOCK

Authorized:

Unlimited number of common shares without par value

Issued:

	Number of Shares	Amount
Balance as at June 30, 2001	5,171,674	1,293,216
Issued for mineral properties	250,000	51,250
Issued on exercise of stock options	420,000	54,600
Issued on private placement, net of issue costs	1,150,000	276,500
Cancellation of common shares in escrow	<u>(5,208)</u>	<u>(1,875)</u>
Balance as at June 30, 2002	6,986,466	1,673,691
Issued on exercise of stock options	40,000	5,200
Issued on short form offering, net of issue costs	2,578,500	429,925
Issued as corporate finance fee	250,000	-
Issued for mineral properties	<u>50,000</u>	<u>10,500</u>
Balance as at December 31, 2002	<u>9,904,966</u>	<u>\$ 2,119,316</u>

Included in issued capital stock are 376,843 (June 30, 2002 - 396,676) common shares held in escrow. The Company filed an Amendment to the Escrow Agreement dated December 31, 2001 whereby the escrow shares will be released over a 72 month time period.

6. OPTIONS AND WARRANTS

The Company, in accordance with the policies of the TSX Venture Exchange, has implemented a "rolling" stock option plan reserving a maximum of 10% of the issued shares of the Company at the time of the stock option grant with no vesting provisions, for directors, employees and consultants.

As at December 31, 2002, the Company has incentive stock options outstanding as follows:

Number of Shares	Exercise Price	Expiry Date
70,000	\$0.31	July 4, 2003
50,000	\$0.13	November 3, 2006
440,000	\$0.13	December 1, 2006
430,000	\$0.16	October 29, 2007

FIRST AU STRATEGIES CORP.
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Six months ended December 31, 2002

As at December 31, 2002, the Company has agents' options outstanding as follows:

Number of Shares	Exercise Price	Expiry Date
304,275	\$0.25	October 28, 2003
	\$0.30	October 28, 2004

As at December 31, 2002, the Company has warrants outstanding as follows:

Type	Number of Warrants	Exercise Price	Expiry Date
Series "C"	2,280,147	\$0.20	April 9, 2003
Series "D"	1,150,000	\$0.30	March 29, 2004
Series "E"	3,554,500 (1)	\$0.25	October 28, 2003
		\$0.30	October 28, 2004

(1) Two warrants for one common share.

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees totalling \$49,250 to companies with directors in common.
- b) Paid or accrued directors' fees totalling \$16,000 to directors of the Company.
- c) Paid or accrued management fees totalling \$27,000 to a company with a director in common.
- d) Paid or accrued office rent and administration costs totalling \$40,504 to an officer of the Company and to a company with a director in common.
- e) Paid or accrued geological consulting costs totalling \$500 to a company with a director in common.

Included in due to related parties is \$145,032 due to companies with directors in common and \$31,200 due to directors and officers of the Company.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

For the six months ended December 31, 2002, significant non-cash transactions included:

- a) The Company issued 50,000 common shares for a deemed value of \$10,500 pursuant to the terms of an option agreement on the mineral properties.

For the six months ended December 31, 2001, significant non-cash transactions included:

- a) The Company issued 150,000 common shares for a deemed value of \$26,250 pursuant to the terms of option agreements on the mineral properties.

9. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share amounts have been calculated and presented in accordance with the new recommendations of the Canadian Institute of Chartered Accountants which 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 met. Basic loss per share continues to be calculated using the weighted average number of shares outstanding during the period.

The new standard has been applied on a retroactive basis and has no impact on the amounts presented. The diluted loss per share is not disclosed as it is anti-dilutive in effect.

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QUARTERLY AND YEAR END REPORT

SCHEDULE B - SUPPLEMENTARY INFORMATION

FIRST AU STRATEGIES CORP.

for the six months ended December 31, 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) \$145,032 due to companies with directors in common, and,
- (ii) \$31,200 due to directors and officers of the Company.

(b) General and administrative expenses include the following:

- (i) Consulting fees of \$49,250 were paid or accrued to companies with directors in common.
- (ii) Directors' fees of \$16,000 were paid or accrued to directors of the Company.
- (iii) Management fees of \$27,000 were paid or accrued to a company with a director in common.
- (iv) Office rental and administration of \$40,504 were paid or accrued to an officer of the Company and to a company with a director in common.
- (v) Geological consulting costs of \$500 were paid or accrued to a company with a director in common.

(c) Mineral properties include the following:

- (i) Geological consulting costs of \$15,500 were paid or accrued 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	Commission Paid
Sep 30, 02	Common	Exercise of options	40,000	\$0.13	\$ 5,200	Cash	N/A
Oct 28, 02	Common	Short form offering - flow through - non flow through	1,602,500 <u>976,000</u> 2,578,500	\$0.20	\$515,700	Cash	\$34,485
Oct 28, 02	Common	Corporate finance fee	250,000	N/A	N/A	N/A	N/A
Oct 28, 02	Common	Property payment	50,000	\$0.21	\$ 10,500	Mineral property	N/A

(b) Summary of options granted during the period:

Date	Number	Optionee	Exercise Price	Expiry Date
Oct 30, 02	100,000	Robert A. Archer	\$0.16	Oct 29, 07
Oct 30, 02	100,000	Kaare G. Foy	\$0.16	Oct 29, 07
Oct 30, 02	90,000	Bryan J. Frost	\$0.16	Oct 29, 07
Oct 30, 02	50,000	Wendy Ratcliffe	\$0.16	Oct 29, 07
Oct 30, 02	<u>90,000</u>	Richard Revelins	\$0.16	Oct 29, 07
	<u>430,000</u>			

4. As at December 31, 2002:

(a) Summary of share capital:

Authorized - unlimited number of common shares without par value

Issued and outstanding -	Number	\$
Issued	9,904,966	\$2,119,316

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

	Number	Exercise Price	Expiry Date
Stock Options	70,000	\$0.31	Jul 04, 03
Stock Options	50,000	\$0.13	Nov 03, 06
Stock Options	440,000	\$0.13	Dec 01, 06
Stock Options	430,000	\$0.16	Oct 29, 07
Agents' Options	304,275	\$0.25	Oct 28, 03
		\$0.30	Oct 28, 04
Series "C" Warrants	2,280,147	\$0.20	Apr 09, 03
Series "D" Warrants	1,150,000	\$0.30	Mar 29, 04
Series "E" Warrants	3,554,500 ⁽¹⁾	\$0.25	Oct 28, 03
		\$0.30	Oct 28, 04

Note ⁽¹⁾ Two warrants for one common share.

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

Escrow shares	376,843
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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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SCHEDULE C - MANAGEMENT DISCUSSION AND ANALYSIS

FIRST AU STRATEGIES CORP.

for the six months ended December 31, 2002

Description of Business

Effective October 31, 2001, the Company entered into 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. During the year ended June 30, 2002, 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". During the period of this report, the Company made the second option payment of \$10,000 and issued 50,000 shares, at a deemed price of \$0.21 per share. \$220,646 in exploration expenses, which includes the cost of the first year's exploration program, was incurred to December 31, 2002.

Effective November 6, 2001, the Company entered into 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. During the year ended June 30, 2002 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". During the period of this report, the option agreement was terminated. The Company was not able to meet all the conditions of termination and as compensation agreed to issue 25,000 common shares to Perry English. Subsequent to the period of this report, the amendment was approved by the Exchange and the shares were issued at a deemed price of \$0.17 per share. \$4,142 in exploration expenses, including staking fees, was incurred to December 31, 2002.

Effective November 22, 2001, the Company entered into 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. During the year ended June 30, 2002 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". During the period of this report, the option agreement was amended by reducing the cash component, due on the first anniversary date, from \$8,000 to \$4,000 and by increasing the share component, due on the first anniversary date, from 25,000 share to 40,000 shares. The \$4,000 cash payment was made during the period of this report. Subsequent to the period of this report, the amendment was approved by the Exchange and the 40,000 shares were issued at a deemed price of \$0.17 per share. \$33,712 in exploration expenses, including staking fees, was incurred to December 31, 2002.

During the year ended June 30, 2002, 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 December 31, 2002.

Effective March 1, 2002, the Company entered into 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. During the year 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. \$293,058 in exploration expenses was incurred to December 31, 2002.

During the year 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". \$28,457 in exploration expenses, including staking fees, was incurred to December 31, 2002.

Operations and Financial Conditions

The Company reports a loss of \$235,160 and cash outflows from operations of \$43,720 for the six months ended December 31, 2002 compared with a loss of \$174,039 and cash outflows from operations of \$136,898 for the same six-month period in the previous year.

As at December 31, 2002, amounts due to related parties consisted of \$145,032 due to companies with directors in common and \$31,200 due to directors and officers of the Company.

During the period ended December 31, 2002, related party transactions included in general and administrative expenses consisted of consulting fees of \$49,250 paid or accrued to companies with directors in common, directors' fees of \$16,000 paid or accrued to directors of the Company, management fees of \$27,000 paid or accrued to a company with a director in common, office rental and administration of \$40,504 paid or accrued to an officer of the Company and to a company with a director in common and geological consulting costs of \$500 paid or accrued to a company with a director in common.

During the year ended June 30, 2002, the Company received approval from the TSX Venture Exchange ("the Exchange") to amend the escrow agreement dated February 27, 1997. The amendment converted 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. During the period of this report, on August 8, 2002, a 5% escrow release of 19,833 shares was effected. Subsequent to the period of this report on February 10, 2003, an additional 5% escrow release of 19,833 shares was effected.

During the period of this report, the Company received approval from the shareholders' at the annual general meeting held on December 16, 2002 and from the Exchange on the 2002 Incentive Stock Option Plan. Under the Plan a maximum of 10% of the shares of the Company from time to time issued and outstanding are reserved for the purposes of the Plan. The Company, then, granted to directors and officers options to purchase 430,000 common shares exercisable at a price of \$0.16 per share October 29, 2007.

Subsequent to the period of this report, the Company cancelled 1,780,147 Series C share purchase warrants ("Series C warrants") and 820,000 Series D share purchase warrants ("Series D warrants") which the holders surrendered to the Company for cancellation. The Series C warrants were exercisable at \$0.20 per share until April 9, 2003. The Series D warrants were exercisable at \$0.30 per share until March 9, 2004.

During the period ended December 31, 2002, no material contracts or commitments were entered into other than those described above under "Description of Business" and "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 "Description of Business" and "Operations and Financial Conditions" and below under "Financings, Principal Purposes and Milestones".

Financings, Principal Purposes and Milestones

During the period of this report, 40,000 options were exercised at a price of \$0.13 per share for total proceeds of \$5,200.

During 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.

Subsequent to the period of this report, the Company received acceptance from the Exchange and issued through a private placement 520,000 common shares at \$0.13 per share and 500,000 units at \$0.10 per unit. Each unit consists of one common share and one two-year non-transferable Series F share purchase warrant ("Series F warrant"). Each Series F warrant and \$0.25 entitles the holder to purchase one common share at \$0.25 until February 2, 2004 and thereafter at \$0.30 until February 2, 2005. During the period of this report, \$67,600 of the private placement monies were received and are shown on the Balance Sheet as "Subscriptions Received In Advance".

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

Liquidity and Solvency

The Company has incurred operating losses and cash outflows from operations in the periods ended December 31, 2002 and 2001 and has a working capital deficiency of \$357,378 as at the period ended December 31, 2002 compared with a working capital deficiency of \$132,335 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.