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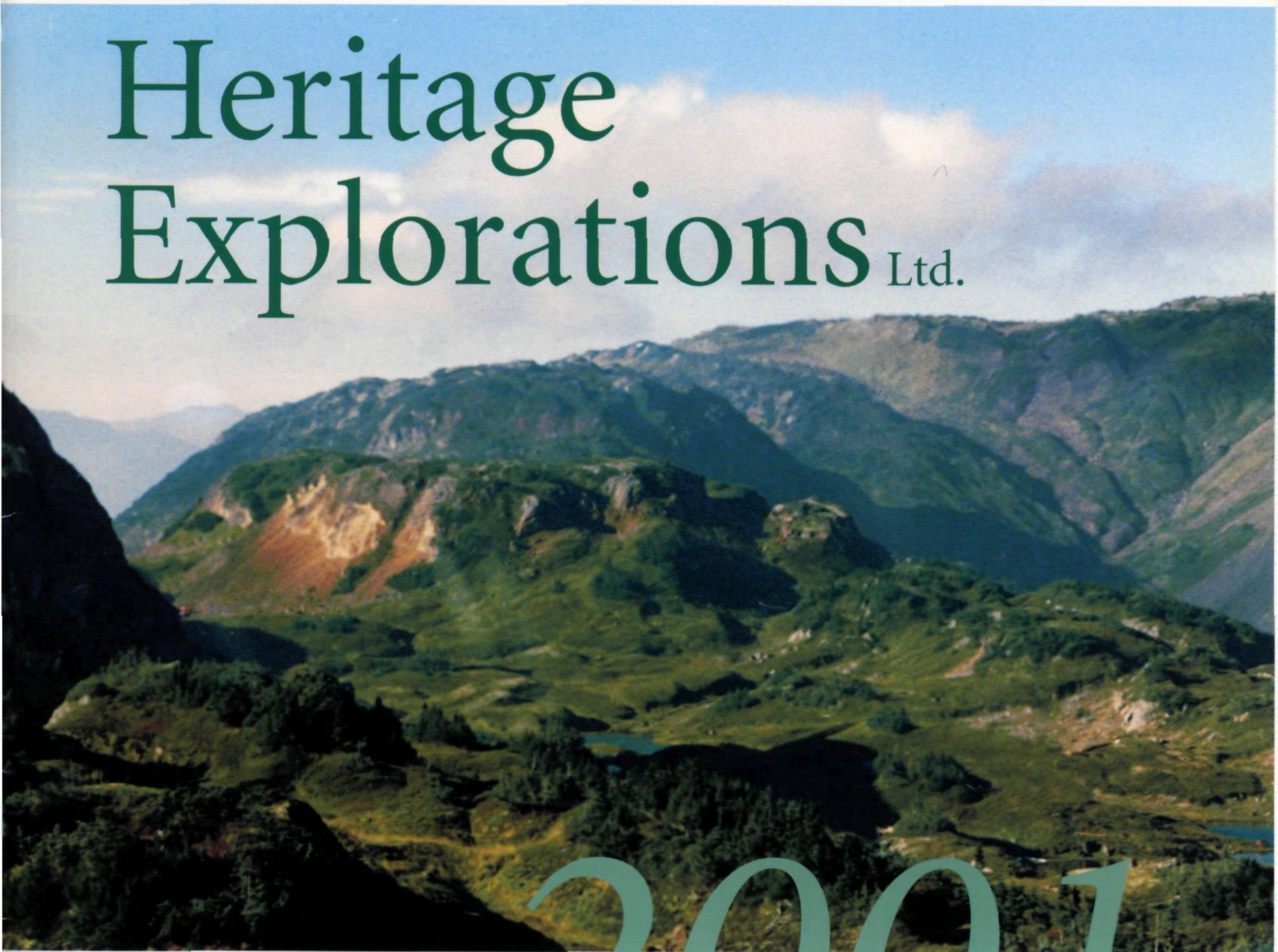
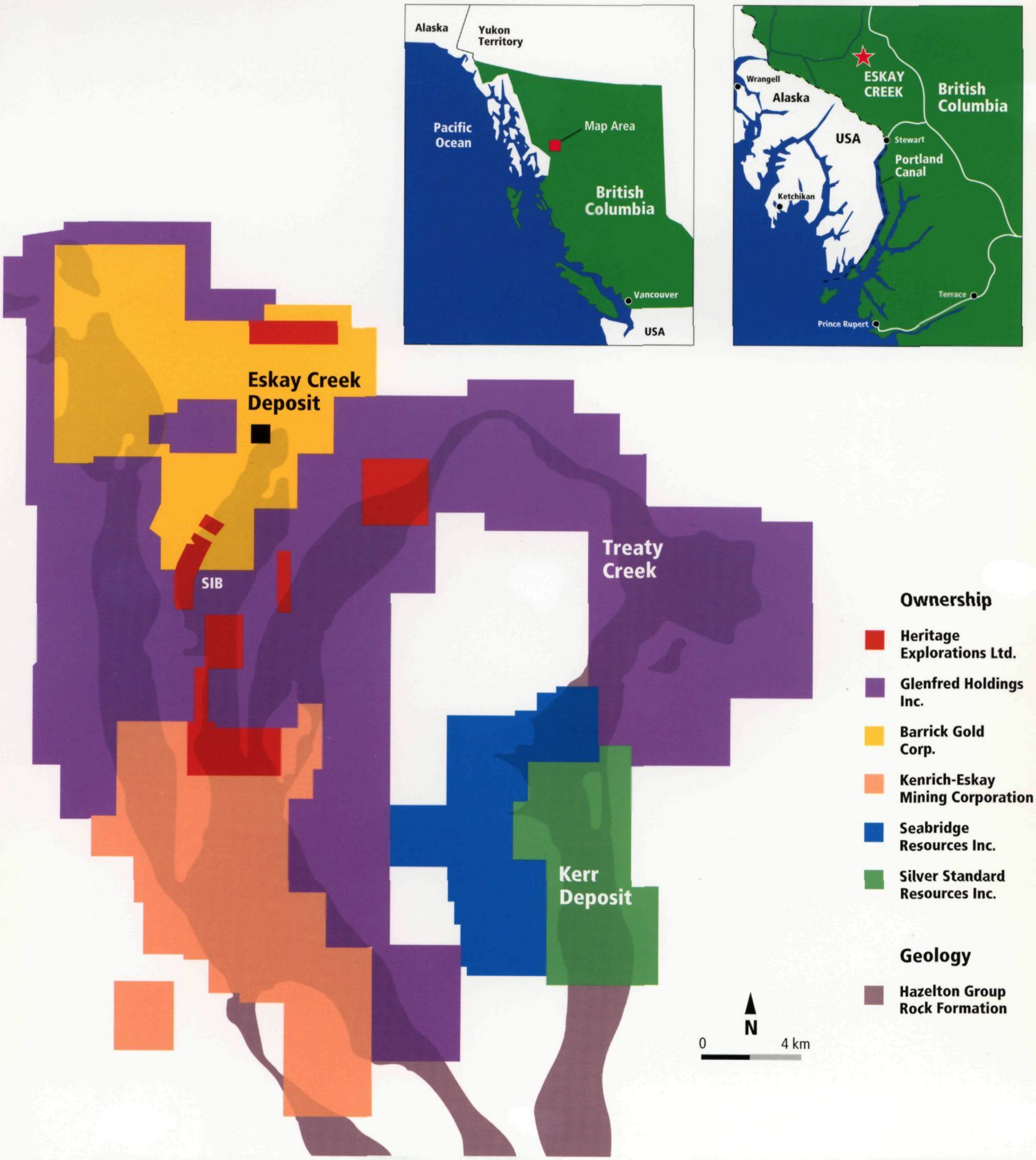
Heritage Explorations Ltd.
(Formerly Heritage American Resource Corp.)
(An Exploration Stage Company)

2001 Annual Report



Heritage Explorations Ltd.

2001


Alaska
Yukon Territory
Pacific Ocean
Map Area
British Columbia
Vancouver
USA
Wrangell
Alaska
ESKAY CREEK
British Columbia
USA
Stewart
Portland Canal
Ketchikan
Terrace
Prince Rupert
Eskay Creek Deposit
SIB
Treaty Creek
Kerr Deposit
Ownership
Heritage Explorations Ltd.
Glenfred Holdings Inc.
Barrick Gold Corp.
Kenrich-Eskay Mining Corporation
Seabridge Resources Inc.
Silver Standard Resources Inc.
Geology
Hazelton Group Rock Formation
N
0
4 km

Company Overview

Heritage Explorations Ltd. has implemented a strategy to be a major camp consolidator and explorer in the Eskay Creek Mining Camp located in northwestern British Columbia.

Heritage Explorations' property interests include a 50% joint venture interest in the SIB Claims, a strategic land position adjacent and along strike of the Eskay Creek Gold Mine, one of North America's richest gold and silver mines. Other interests consist of regionally important land holdings in the Eskay Creek Mining Camp.

HXL

HERITAGE

Explorations

Ltd.

President's Report to Shareholders

Since the publication of Heritage's last annual report, several important changes have taken place, and will continue to take place, as we implement our strategy to be a major camp consolidator and explorer in the Eskay Creek Mining Camp located in northwestern British Columbia, Canada.

In April 2001, Heritage announced a financial restructuring involving the consolidation of the company's issued and outstanding share capital, the reconstitution of the Board of Directors, a private placement of some $255,000 and a name change from Heritage American Resources Corp to Heritage Explorations Ltd. This restructuring was approved by shareholders in June 2001 and finally implemented in September 2001. A further private placement of $300,000 was announced in October 2001 and completed in December 2001, resulting in Heritage being well financed for the period immediately ahead.

As a result of this restructuring Heritage emerged with two major shareholders, St Andrew Goldfields Ltd. (37.2%) and Zebrex Holdings Limited (37.2%). Effective September 1, 2001, Heritage entered into a Services Contract with St Andrew Goldfields Ltd for administration, financial and technical services.

The association with St Andrew Goldfields has allowed Heritage access to the St Andrew "geoinformatics technology platform" and databases which St Andrew has developed in collaboration with Fractal Graphics (Pty) Ltd of Perth, Western Australia. Fractal Graphics (Pty) Ltd was the winner of the 2001 Goldcorp Red Lake Gold Challenge in March 2001. Utilizing the St Andrew "geoinformatics technology platform" Heritage has worked in conjunction with Glenfred Holdings Inc, a private company owned by St Andrew Goldfields(50%), Zebrex Holdings(37.5%) and Dolly Varden Minerals(12.5%) to compile an extensive and impressive geological and geographical database on the Eskay Creek Mining Camp. This database will form the basis for 3D modeling, target generation and an exploration strategy to commence in 2002.

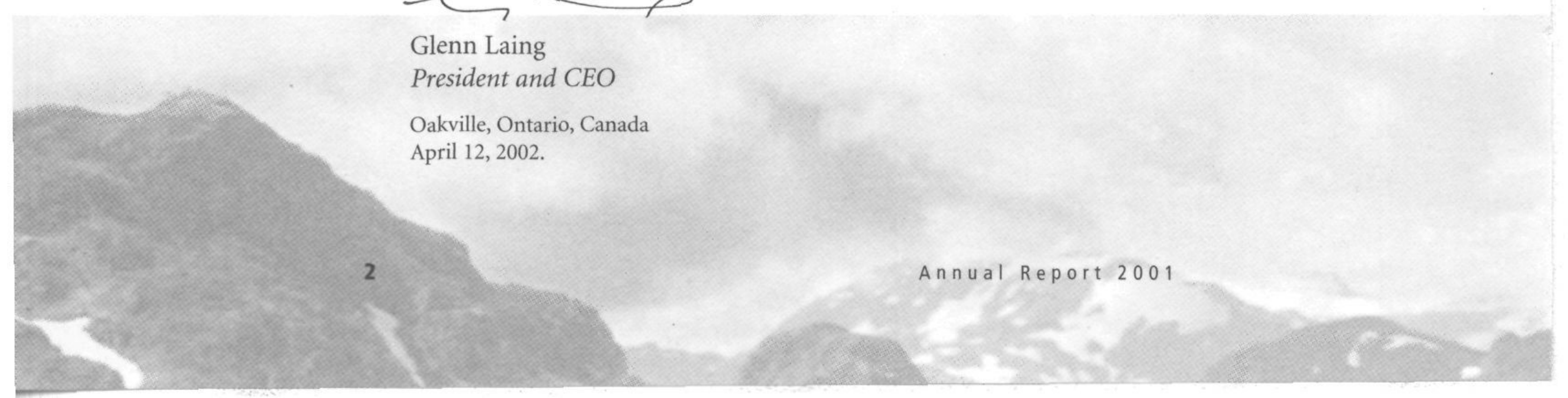
On April 12, 2002, Heritage announced the acquisition, subject to Heritage shareholder and regulatory approval of 100% of the issued and outstanding capital of Glenfred Holdings Inc. This will have the effect of increasing Heritage's land holding in the Eskay Creek Mining Camp by over 87,000 acres and achieving one of the Heritage corporate goals of consolidating a major portion of the camp into one corporate entity.

Going forward, based on the steps that Heritage has taken to consolidate a large strategic land position of over 95,000 acres, adjacent to, along strike and in a regionally important context to one of North America's richest gold and silver mines, the Eskay Creek Gold Mine and by applying the St Andrew geoinformatics technology platform and databases, a very impressive exploration and development picture emerges.

I am looking forward to an interesting and positive 2002.

Glenn Laing
President and CEO

Oakville, Ontario, Canada
April 12, 2002.



Mineral Properties

Background

The mineral properties in which Heritage Explorations Ltd. holds varying interests cover approximately 8,000 acres, and are located in northwestern British Columbia, near the Eskay Creek Gold Mine about 70 kilometers northwest of Steward B.C. The northern portion of the Heritage properties can be accessed from Highway 37 using the nearby Eskay Creek Mine road.

History

The Eskay Creek Mining camp has a long history of intermittent mineral exploration following the discovery of mineralization and staking in the camp in 1932 by the Tom Mackay Syndicate. Early work in the camp identified more than 30 distinct mineralized zones in the upper Coulter and Eskay creeks along a line of gossanous bluffs that extend more than 7 kilometers from the present day Eskay Creek Gold Mine. Heritage has a 50% interest in the SIB Claims located on the southern one-half of the original Mackay Syndicate ground. The SIB Claims straddle highly prospective volcanic-sedimentary horizons that are similar to the stratigraphy and setting of the rich Eskay Creek gold-silver mine.

Mineral Property Description

A. SIB Claims

The SIB Claims join onto the Eskay Creek property, which is to the north and contains the along strike extensions of the stratigraphic units present at Eskay Creek. The Hazelton Group stratigraphic sequence mapped on the SIB Claims includes from bottom to top: andesite breccias and volcaniclastic rocks; intercalated mudstone, siltstone and conglomerate, and felsic tuffs and flows. The felsic sequence is similar to Eskay Creek, containing both a lower tuffaceous unit, and the upper flow sequence of the Eskay Rhyolite. As well, gossaneous felsite representing sub-volcanic feeders to the Eskay Rhyolite occur in several places on the property. Mudstones occur within the rhyolite on the SIB Claims, and are locally mineralized.

From 1989 to 1991, 105 diamond drill holes totaling 11,919 meters were completed on the SIB Claims. Numerous encouraging intersections were encountered, including the Lulu Zone, where drill holes have intersected up to 0.43 oz /ton gold and 30 oz/ton silver over 14.3 meters.

B. Other Claims

Heritage owns varying interests in a number of other claims, namely the Polo, Megan, Skookum, Rambo, Fog, Sto, John and Lance claims, all of which are located in stratigraphically favourable positions within the Hazelton Group sequence. Limited exploration has been carried out on these claims, the majority of which are regarded as prospective for Eskay Creek type mineralization.

Geoinformatics Technology Platform and Databases

Virtually all of the exploration in the Eskay Creek Mining Camp was conducted prior to the completion of major government, academic and industry efforts to resolve the geological setting and genesis of the Eskay Creek deposit and the surrounding geology and mineralization. All the exploration efforts have resulted in the generation of a large amount of geological data and information located in numerous heterogeneous diverse databases.

St Andrew Goldfields Limited, a 37.2% owner of Heritage, working in collaboration with Fractal Graphics (Pty) Ltd of Perth, Western Australia have developed a "geoinformatics technology platform" that provides for the collection and validation of geological data from a wide variety of sources, the compilation of such heterogenous diverse databases into a single database, and the manipulation and modeling of this single database to produce a number of 3D exploration targets. These 3D exploration targets are then used to form the basis for an exploration strategy.

Heritage's association with St Andrew Goldfields has provided Heritage with access to this "geoinformatics technology platform". During 2001, an extensive effort was carried out by Heritage and Glenfred Holdings Inc., a large adjacent property holder, to locate and accumulate all available geological data (including their own extensive databases) on the Eskay Creek Mining Camp and to input this data into a database created by Fractal Graphics.

Compilation, manipulation and modeling of this database has produced a number of interesting and exciting exploration targets that will be further developed and explored in 2002.

Management's Discussion and Analysis of Financial Results

Overview

Heritage Explorations Ltd. ("Heritage" or the "Company") has implemented an aggressive acquisition and exploration program to consolidate a significant land position in the Eskay Creek Mining Camp. This corporate strategy has been possible due to the association with St Andrew Goldfields Ltd. ("St Andrew"). The financial restructuring completed during 2001 including the completion of two private placements totalling $555,000 in gross proceeds and the settlement of certain debt obligations.The Board of Directors was restructured and new management was appointed. Heritage's shares commenced trading on the TSX Venture Exchange under the symbol HXL on November 17, 2001.

Cash Flow and Liquidity

Heritage had, at 31 December 2001, a positive working capital balance of $177,413 compared to a deficit of $197,123 at 31 December 2000. At 31 December 2001, the Company had long-term obligations of $19,789 compared to $8,760 for the prior year. The Company, during the 2001, increased its cash position by $153,501.

The increase in cash is the result of Heritage raising $549,267 in net proceeds from the issuance of shares and other financing activities less the cash used in operations before changes in current assets and liabilities of $189,916, changes in current assets and liabilities of $66,460 and investing activities of $139,390 including $137,357 in resource property costs. For the years ended 31 December 2000 and 1999, respectively, the Company used $33,188 and $144,834 from operations before changes in current assets and liabilities. The increase in use of funds from operations is primarily the result of the increased activity of the Company together with some one-time charges associated with moving the corporate office to Oakville, Ontario and changing transfer agents. The Company's expenditures for resource property costs in 2001 is substantially higher compared to 2000 and 1999 when Heritage spent $2,565 and $8,405, respectively, due to the commencement of a geological review of the Eskay Creek Mining Camp and Heritage's properties. These current resource expenditures focused on the collection and validation of all available geological data of the Eskay Creek Mining Camp and the Heritage claims and the subsequent geological modeling of this database. A limited summer geochemical program was carried out. In 2000, the Company used $106,958 for changes in current assets and liabilities compared to a $156,318 source of cash in 1999.

Outlook

As a result of the financings completed in 2001, Heritage has two major shareholders, St Andrew Goldfields Ltd. and Zebrex Holdings Limited. The association with St Andrew has provided Heritage access to the geoinformatics technology and databases developed by St Andrew in collaboration with Fractal Graphics (Pty) Ltd. The geoinformatics technology platform will form the basis for target generation and the formation of an extensive exploration program to be commenced in 2002.

Subsequent to year end, subject to shareholder and regulatory approval, the Company entered into an agreement to acquire 100% of Glenfred Holdings Inc. As a result of this acquisition, Heritage will have interests in over 95,000 acres of claims compared to its current 8,000 acres. Management believes the greatly increased land position, together with the geological work underway, will result in the generation of exploration targets that could lead to the identification and discovery of significant new gold resources and reserves.

Auditors' Report to Shareholders

To the Shareholders of Heritage Exploration Ltd.

We have audited the balance sheet of Heritage Explorations Ltd., (formerly Heritage American Resource Corp.) (An Exploration Stage Company) as at 31 December 2001 and 2000 and the statements of changes in shareholders' equity, operations and cash flows for the years ended 31 December 2001, 2000 and 1999. 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 audit.

We conducted our audit 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 31 December 2001 and 2000 and the changes in shareholders' equity, results of its operations and its cash flows for the years ended 31 December 2001, 2000 and 1999 in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Staley, Okada, Chandler & Scott

Chartered Accountants

Langley, B.C.
February 6, 2002, except as to Note 2 which is as at 12 April 2002

COMMENTS BY AUDITORS FOR THE U.S. READER ON CANADA - U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by significant uncertainties such as those referred to in Note 1 to the financial statements. Our report to the shareholders dated 6 February 2002 is expressed in accordance with Canadian reporting standards which do not permit a reference to such an uncertainty in the auditors' report when the uncertainty is adequately disclosed in the financial statements.

Staley, Okada, Chandler & Scott

Chartered Accountants

Langley, B.C.
February 6, 2002, except as to Note 2 which is as at 12 April 2002

Heritage Explorations Ltd.
(Formerly Heritage American Resource Corp.)
(An Exploration Stage Company)

Balance Sheet

As at 31 December
Canadian Funds

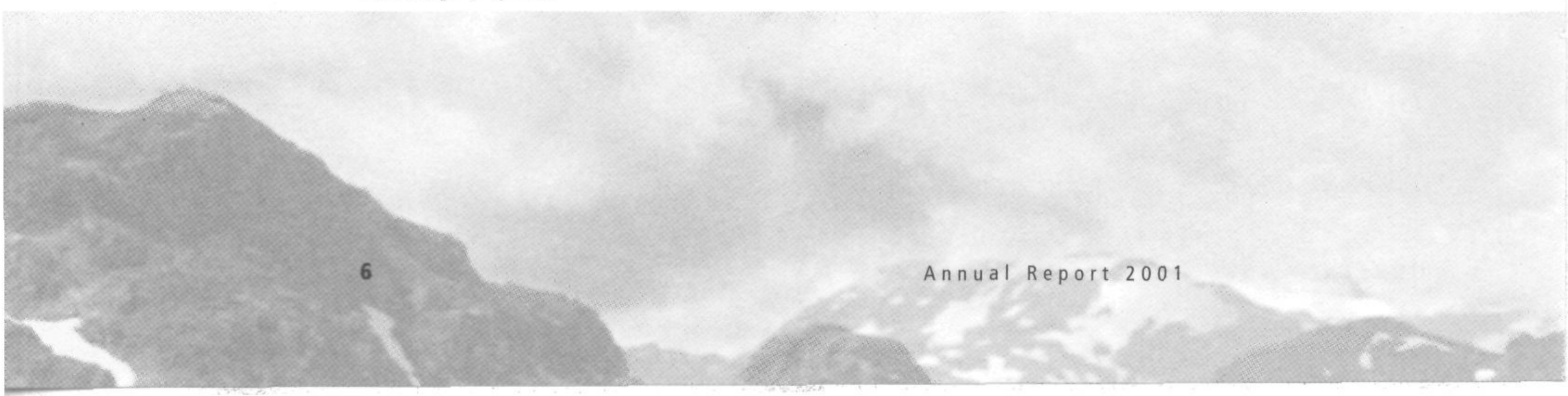
		2001		2000
Assets				
Current				
Cash	**$**	**194,784**	$	41,283
Receivables and prepaid expenses		**7,701**		375
Due from related parties *(Note 8a)*		**64,017**		–
		266,502		41,658
Capital Assets, net of accumulated amortization		**1,728**		–
Resource Property Costs - Schedule *(Note 5)*		**2,223,762**		2,091,383
Incorporation Costs		**3,661**		3,661
	$	**2,495,653**	$	2,136,702
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**52,102**	$	20,814
Due to related parties *(Note 8b)*		**36,987**		217,967
		89,089		238,781
Due to a Director *(Note 6)*		**19,789**		8,760
Continued Operations *(Note 1)*				
Shareholders's Equity				
Share Capital *(Note 7)*				
		5,285,896		4,667,658
Deficit - Statement 2		**(2,899,121)**		(2,778,497)
		2,386,775		1,889,161
	$	**2,495,653**	$	2,136,702

On behalf on the Board

Glenn Laing,
Director

W. Fred Christensen,
Director

See Accompanying Notes



Heritage Explorations Ltd.
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Statement of Changes in Shareholders' Equity

Canadian Funds

	Common Shares Issued and Fully Paid			
	Shares	*Amount*	*Deficit*	*Total*
Balance - 31 December 1998	**1,623,557**	**$ 4,492,658**	**$ (2,036,623)**	**$ 2,456,035**
Loss for the year - *Statement 3*	**–**	**–**	**(172,433)**	**(172,433)**
Balance - 31 December 1999	**1,623,557**	**4,492,658**	**(2,209,056)**	**2,283,602**
Issuance of shares for cash	**437,500**	**175,000**	**–**	**175,000**
Loss for the year - *Statement 3*	**–**	**–**	**(569,441)**	**(569,441)**
Balance - 31 December 2000	**2,061,057**	**4,667,658**	**(2,778,497)**	**1,889,161**
Issuance and allotment of shares for cash	**5,125,000**	**538,238**	**–**	**538,238**
Issuance of shares for debt Settlement	**200,000**	**80,000**	**–**	**80,000**
Loss for the year - *Statement 3*	**–**	**–**	**(120,624)**	**(120,624)**
Balance - 31 December 2001	**7,386,057**	**$ 5,285,896**	**$ (2,899,121)**	**$ 2,386,775**

See Accompanying Notes

Heritage Explorations Ltd.
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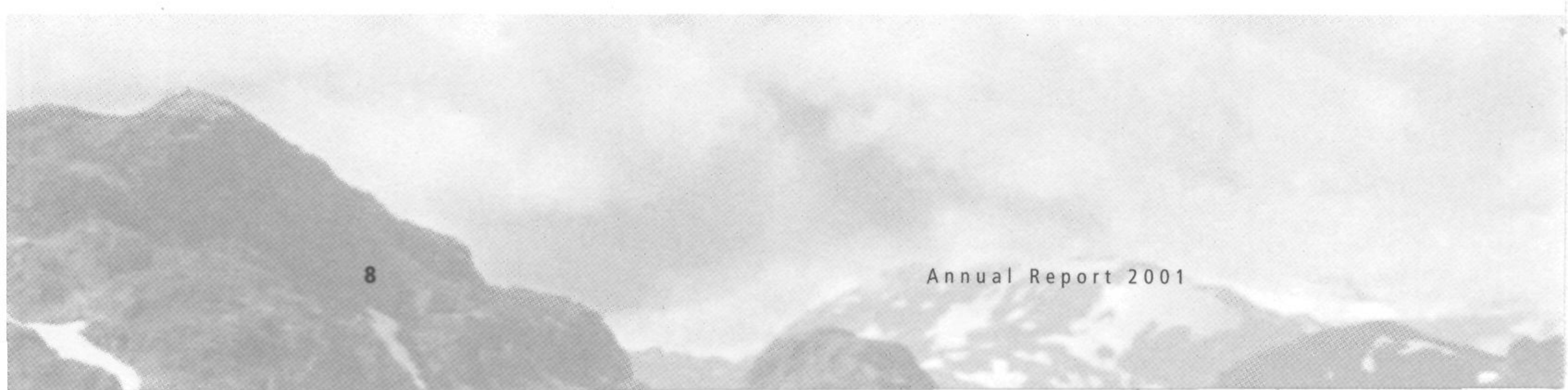
(An Exploration Stage Company)

Statement of Operations

For the Years Ended 31 December
Canadian Funds

	2001	2000	1999
General and Administrative Expenses			
Management fees	**$ 22,348**	$ 30,000	$ 30,000
Consulting fees	**29,950**	30,000	30,000
Audit, accounting and administrative fees	**26,317**	5,981	7,287
Legal fees	**17,666**	7,965	22,672
Rent	**11,056**	13,035	1,051
Shareholder information	**10,886**	8,824	12,657
Travel and promotion	**30,869**	6,554	2,910
Office and miscellaneous	**9,457**	4,742	3,210
Transfer agent fees	**22,960**	1,578	1,452
Listing and filing fees	**8,275**	1,492	2,135
Bank charges, interest and foreign exchange, net	**132**	873	1,240
Amortization	**305**	329	1,239
Recovery of expenses	**–**	(22,582)	–
Loss Before the Following	**190,221**	88,791	115,853
Write-off of resource property costs	**4,978**	535,924	26,360
Loss on assignment of receivables	**–**	–	30,220
Gain on forgiveness of debt	**(74,575)**	(55,274)	–
Loss for the Year	**$ 120,624**	$ 569,441	$ 172,433
Loss per Share - Basic	**$ 0.04**	$ 0.33	$ 0.11

See Accompanying Notes



Heritage Explorations Ltd.
(Formerly Heritage American Resource Corp.)
(An Exploration Stage Company)

Statement of Cash Flows

For the Years Ended 31 December
Canadian Funds

	2001	2000	1999
Cash Resources Provided By (Used In)			
Operating Activities			
Loss for the year	**$ (120,624)**	$ (569,441)	$ (172,433)
Items not affecting cash			
Amortization	**305**	329	1,239
Write-off of resource property costs	**4,978**	535,924	26,360
Gain on settlement of debt	**(74,575)**	–	–
Changes in current assets and liabilities			
Receivables and prepaid expenses	**(7,326)**	5,872	68,047
Accounts payable and accrued liabilities	**31,288**	(133,216)	7,733
Due to related parties, net	**(90,422)**	20,386	80,538
	(256,376)	(140,146)	11,484
Investing Activities			
Acquisition of capital assets	**(2,033)**	–	–
Resource property costs	**(137,357)**	(2,565)	(8,405)
Other	**–**	–	1
	(139,390)	(2,565)	(8,404)
Financing Activities			
Loans payable	**–**	(771)	(5,474)
Due to a director	**11,029**	807	618
Share capital issued and alloted for cash	**538,238**	175,000	–
	549,267	175,036	(4,856)
Net Increase (Decrease) in Cash	**153,501**	32,325	(1,776)
Cash position - Beginning of year	**41,283**	8,958	10,734
Cash Position - End of Year	**$ 194,784**	$ 41,283	$ 8,958
Schedule of Additional Cash Flow Information			
Cash Paid During the Year - Interest	**$ 222**	$ 873	$ 1,239
Shares issued for settlement of debt	**$ 80,000**	$ –	$ –

See Accompanying Notes

Heritage Explorations Ltd.
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(An Exploration Stage Company)

Schedule of Resource Property Costs

For the Years Ended 31 December
Canadian Funds

	Acquistion Costs	*Exploration Costs*	*2001*	*2000*	*1999*
Direct - Mineral					
B.C. Properties					
Eskay Creek claims					
Geological consulting, mapping and modelling	$ –	$ 113,587	**$ 113,587**	$ –	$ –
Acquisition payments	13,238	–	**13,238**	–	–
Field costs and other	–	10,532	**10,532**	2,565	8,405
Costs for the Year	13,238	124,119	**137,357**	2,565	8,405
Balance - Beginning of Year	50,001	2,041,382	**2,091,383**	2,624,742	2,642,697
Write-off of resource property costs		(4,978)	**(4,978)**	(535,924)	(26,360)
Balance - End of Year	$ 63,239	$ 2,160,523	**$ 2,223,762**	$ 2,091,383	$ 2,624,742

See Accompanying Notes

Notes to Financial Statements

31 December 2001 and 2000
Canadian Funds

1. Basis of Presentation

During the year, the Company completed a financial restructuring program to address its working capital deficit and losses. The Company's shareholders approved a plan on June 27, 2001, which included the consolidation of the Company's shares on a one-for-four basis, the appointment of some new members to the Board of Directors, the appointment of Glenn Laing as President, the settlement of certain outstanding debt, and a private placement to raise gross proceeds of $255,000. This private placement closed on September 21, 2001. An additional private placement closed on December 6, 2001 for gross proceeds of $300,000. As a result of these private placements, St Andrew Goldfields Ltd. and Zebrex Holdings Ltd. each own 37.2% of the issued and outstanding shares of the Company.

The new management of the Company has undertaken a new business plan including an acquisition and exploration program focusing on the Eskay Creek region of northern British Columbia and the reduction of administrative costs in the future.

The Company's shares commenced trading on the TSX Venture Exchange under the symbol HXL on November 17, 2001, and subsequent to year-end the Company returned to active status on the exchange. The Company's continued existence is dependent upon its ability to raise additional financing, to fund the future acquisition and exploration programs and to generate profitable operations in the future.

2. Subsequent Event

Subsequent to year-end, the Company entered into an agreement to acquire a substantial land position adjacent to its mining claims in the Eskay Creek camp by acquiring, from companies with directors in common, 100% of the issued and outstanding shares of Glenfred Holdings Inc., a private company. The Company will effect this transaction by issuing 7,378,750 common shares in exchange for all the shares of Glenfred Holdings Inc. The Company will record the issuance of its shares for an amount equal to the costs expended by the related parties to obtain and maintain the properties. This transaction is subject to shareholder and regulatory approvals.

3. Significant Accounting Policies

a) Cash

Cash includes cash on account and highly liquid investments with a remaining term to maturity of three months or less at the date of purchase.

b) Mineral

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for properties abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's title to the mineral properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof. Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, all of its properties are in good standing.

c) **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.

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

The new standard has been applied on a retroactive basis and had no impact on the amounts previously presented.

d) **Amortization**

The company provides for amortization at the following rates:

- Furniture and equipment - 20% declining balance
- Computer equipment - 30% declining balance

One-half of the normal rate is charged in the year of acquisition.

e) **Environmental Expenditures**

The operations of the company may in the future be affected from time to time by changes in environ mental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the company vary greatly and are not predictable. The company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

f) **Share Capital**

i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the company. No compensation expense is recognized for stock options.

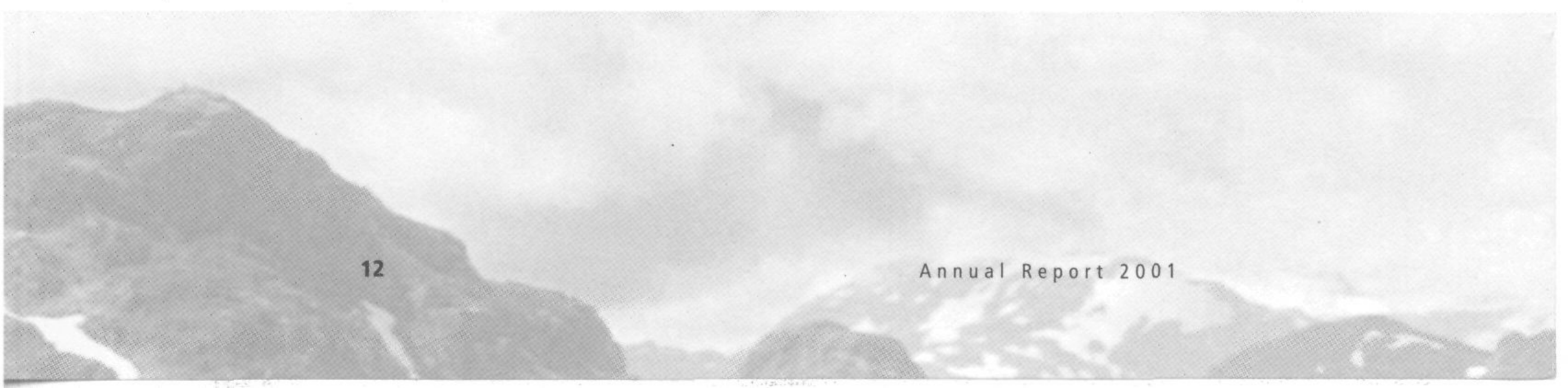
ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value reduced by an estimate of transaction costs normally incurred when issuing shares for cash, as determined by the board of directors of the company.

g) **Management's Estimates**

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

h) **Income Tax**

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.



4. Fair Value of Financial Instruments

The Company's financial instruments consists of cash, receivables, amounts due to/from related parties, accounts payable and an amount due to a director. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

5. Resource Property Costs

a) Details are as follows:

	2001	*2000*
S.I.B. Claims, B.C.		
Property acquisition costs	$ 50,000	$ 50,000
Exploration costs	2,041,382	2,041,382
	2,091,382	2,091,382
Eskay Creek Claims, B.C.		
Property acquisition costs	13,239	1
Exploration costs	119,141	–
	132,380	1
	$ 2,223,762	$ 2,091,383

a) **S.I.B. Claims, B.C.**

The Company has a 50% interest in a joint venture to explore and develop the S.I.B. Claims. As at 31 December 2001, the Company has paid their proportionate share of costs to date. The joint venture agreement provides for dilution in the event of non-participation to a minimum of 15% at which time the interest becomes a 15% net profits interest on which a minimum annual payment of $10,000 is required.

c) **Eskay Creek Claims, B.C.**

The Company has staked or acquired 22 mineral claims in B.C. near the S.I.B. claims and the Eskay Creek Mine including the acquisition of five claims during 2001.

During the year ended 31 December 2000, management decided to write down certain claims to a nominal value as a result of inactivity. Upon the restructuring and refinancing of the Company during 2001, a limited exploration program was carried out including geochemical sampling, exploration data collection, compilation and manipulation and geological modelling. The exploration and acquisition program is expected to continue as financing is obtained.

6. Due to a Director

a) Details are as follows:

	2001	*2000*
Loans payable to a company controlled by a director	$ 42,500	$ 132,075
Loan payable to a director	7,289	8,760
	49,789	140,835
Current portion	30,000	132,075
	$ 19,789	$ 8,760

During the year, the Company realized a $72,075 gain on the forgiveness of debt pursuant to a settlement agreement with a Director. As part of this agreement, the Company agreed to pay the balance due of $60,000 in 24 equal monthly instalments of $2,500. As at 31 December 2001, 17 payments remain to be paid.

The loan payable of $7,289 to a director bears interest at prime plus 2% and has no specific terms of repayment. During 2001, the Company paid $2,000 against the loan due. As at 31 December 2001, interest of $2,290 has been accrued in these financial statements since inception of the loan.

7. Share Capital

a) Details are as follows:

	Number of Shares 2001	Number of Shares 2000	Amount 2001	Amount 2000
Authorized:				
500,000,000 shares without par value				
Issued, alloted and fully paid:				
For cash	6,877,905	1,752,905	$ 3,214,905	$ 2,676,667
For resource properties	219,241	219,241	541,969	541,969
For subsidiaries	10,000	10,000	448,000	448,000
For debt settlement	240,375	40,375	1,031,022	951,022
For expenses	3,125	3,125	50,000	50,000
For commissions	35,411	35,411	–	–
	7,386,057	2,061,057	$ 5,285,896	$ 4,667,658

b) On 27 June 2001, the Company increased the authorized share capital to 500,000,000 shares and consolidated its existing shares on a one-for-four basis. This action resulted in a reduction of the number of shares outstanding by 6,183,171 shares from 8,244,228 shares to 2,061,057 shares. Prior periods shares, options and warrants outstanding and loss per share amounts have been adjusted to give effect to the share consolidation on a retroactive basis. All amounts and numbers presented are on a post-consolidated basis.

c) On 6 December 2001, the Company allotted by private placement, 3,000,000 units at $0.10 per unit for total net proceeds of $300,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share for $0.10 until 6 December 2003. Subsequent to year end the allotted shares were issued.

d) On 21 September 2001, the Company issued, by private placement, 2,125,000 units at $0.12 per unit for total net proceeds of $238,238. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share for $0.12 until 21 September 2003.

e) On 29 August 2001, the Company issued 200,000 common shares in settlement of an $82,500 debt due to a director of the Company resulting in a gain of $2,500 to the Company.

f) During 2000, the Company issued, by private placement, 250,000 units at $0.10 per unit for total proceeds of $25,000 to a director and officer of the Company. The price per unit approximates the fair market value of shares of the Company at the time the shares were issued. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share for $0.10 until 1 February 2002.

g) During 2000, the Company issued, by private placement, 1,500,000 units at $0.10 per unit for total proceeds of $150,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share for $0.10 until 17 November 2002.

h) There are 1,270 (2000 - 1,270) shares held in escrow. During 2001 the shareholders approved the cancellation of the escrow agreement and escrow shares. The cancellation is to be completed by the Company.

i) In connection with sales of common stock during 2001 and 2000, the Company has also issued warrants to acquire common stock. The warrant activity is as follows:

	Number	Price per Share	Expiry Date
Balance - 31 December 1999	37,500	$ 0.80	7 May 2000
Warrants expired	(37,500)	$ 0.80	7 May 2000
Warrants issued	62,500	$ 0.40	1 February 2002 *
Warrants issued	375,000	$ 0.40	17 November 2002
Balance - 31 December 2000	437,500	$ 0.40	1 February 2002 - 17 November 2002
Warrants issued	2,125,000	$ 0.12	21 September 2003
Warrants issued	3,000,000	$ 0.10	6 December 2003
Balance - 31 December 2001	5,562,500	$ 0.13	1 February 2002 - 6 December 2003

* Expired subsequent to year-end.

j) The Company has granted stock options to its officers, directors and employees pursuant to the policies of the governing regulatory bodies. The options are granted for varying terms ranging from two to five years. The following is a schedule of the activity pursuant to this stock option plan:

	Number	*Price per Share*	*Expiry Date*
Balance - 31 December 1999	210,000	$ 0.15	5 March 2002 - 23 February 2003
Options cancelled	(150,000)	$ 0.15	5 March 2002
Options cancelled	(60,000)	$ 0.15	23 February 2003
Balance - 31 December 2000 and 2001	NIL	–	–

k) In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (SFAS No. 123). "Accounting for Stock-Based Compensation". SFAS No. 123 establishes financial accounting and reporting standards for stock-based employee compensation plans. The statement encourages all entities to adopt a fair value based method of accounting, but allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees". The Company has adopted the disclosure only provisions of SFAS No. 123.

No stock options were granted during fiscal 2001 and 2000, therefore there are no discrepancies between net loss and net loss per share presented in these financial statements and calculated using SFAS No. 123.

8. Related Party Transactions

Except as disclosed elsewhere in the financial statements, related party transactions are as follows:

a) Due from related parties includes $64,017 (2000 - $NIL) owing from affiliated companies with directors and officers in common. These amounts are anticipated by management to be repaid within one year and therefore have been classified as current.

b) Due to related parties includes the following:

- $30,000 (2000 - $132,075) owing to a company controlled by a director/officer of the Company
- $6,987 (2000 - $NIL) owing to St Andrew Goldfields Ltd. ("St Andrew"), a shareholder
- $NIL (2000 - $82,500) owing to a director of the Company
- $NIL (2000 - $3,392) owing to a company with directors and officers in common

These amounts are non-interest bearing and have no specific terms of repayment, except as described in note 6.

c) During the year, management fees of $12,500 (2000 - $30,000) were paid to a company controlled by a director/officer. Management fees of $9,848 (2000 - $NIL) were paid or accrued to St Andrew. Additionally, administration service fees of $19,119 (2000 – $NIL) and geological consulting fees of $90,428 (2000 - $NIL) were paid or accrued to St Andrew.

d) During the year, consulting fees of $29,950 (2000 - $30,000) were paid or accrued to a director of the Company.

e) During the year, legal fees of $NIL (2000 - $5,308) were paid or accrued to a director of the Company.

9. Income Taxes

a) The Company has accumulated non-capital losses for income tax purposes of approximately $569,000 which may be used to reduce future taxable income. These losses expire as follows:

2002	$ 188,000
2003	175,000
2007	88,000
2008	118,000
	$ 569,000

b) The Company has accumulated net capital losses for income tax purposes of approximately $6,258,000 which may be used to reduce future taxable capital gains.

c) The Company has incurred approximately $5,678,000 of resource related expenditures which may be carried forward indefinitely and used to reduce prescribed taxable income in future years. Approximately $4,358,000 of these costs are restricted as successor operations costs and can only be applied against certain income.

The potential future tax benefits of these income tax losses, net capital losses and resource related expenditures have not been recognized in the accounts of the Company.

10. Differences Between Canadian and United States Generally Accepted Accounting Principles

These financial statements are prepared in accordance with accounting principles generally accepted in Canada. Except as set out below, these financial statements also comply, in all material aspects, with accounting principles generally accepted in the United States and the rules and regulations of the Securities Exchange Commission.

a) Under Canadian generally accepted accounting principles, the mineral properties are carried at cost and written off or written down if the properties are abandoned, sold or if management decides not to pursue the properties. Under United States generally accepted accounting principles, the Company would periodically review and obtain independent reports in determining adjustments to the mineral properties and record properties at net realizable value. The Company has not yet obtained an independent report for United States generally accepted accounting principles purposes, therefore, the Company's mineral property costs have been written off.

b) **Loss per Share**

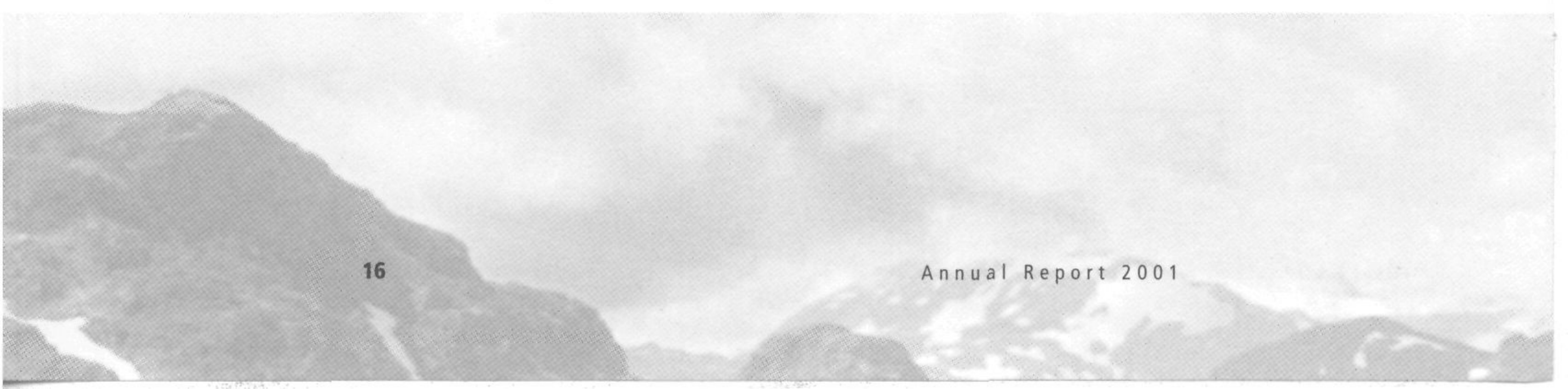
	2001	2000	1999
Primary loss per share for the year in accordance with United States generally accepted accounting principles	$ (0.09)	$ (0.02)	$ (0.09)

c) The impact of the above differences between Canadian and United States generally accepted accounting principles on the deficit, as reported, is as follows:

	2001	2000
Deficit - As reported	$ 2,899,121	$ 2,778,497
Write-off of resource property costs	2,223,762	2,091,383
Deficit in accordance with United States generally accepted accounting principles	$ 5,122,883	$ 4,869,880

d) The impact of the above differences between Canadian and United States generally accepted accounting principles on loss for the year, is as follows:

	2001	2000	1999
Loss for the year, as reported	$ (120,624)	$ (569,441)	$ (172,433)
Write-off of resource property costs	(132,379)	533,359	17,955
Loss for the year in accordance with United States generally accepted accounting principles	$ (253,003)	$ (36,082)	$ (154,478)



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Share Listing and Shares Issued
TSX Venture Exchange
Trading Symbol - HXL
Issued and Outstanding - 7,386,057
common shares (at December 31, 2001)

Major Shareholders
St Andrew Goldfields Ltd - 37.2%
Zebrex Holdings Limited - 37.2%

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