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

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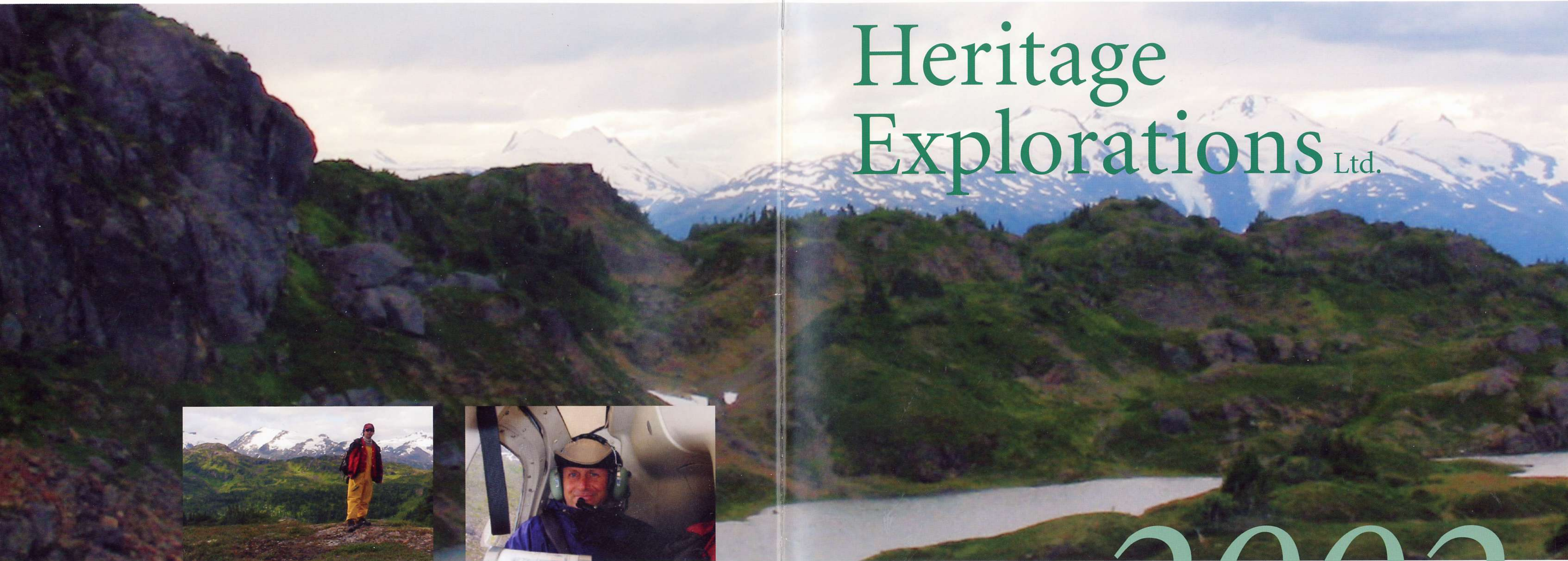

Cover Photo: SIB Lake situated on the SIB Claims in the Eskay Creek Mining Camp, where Heritage is focusing its exploration efforts.

Insets: Two of the geologists who worked on Battleship Knoll (foreground of main photo) located on the SIB Claims, Eskay Creek Mining Camp, British Columbia.

Heritage Explorations Ltd.
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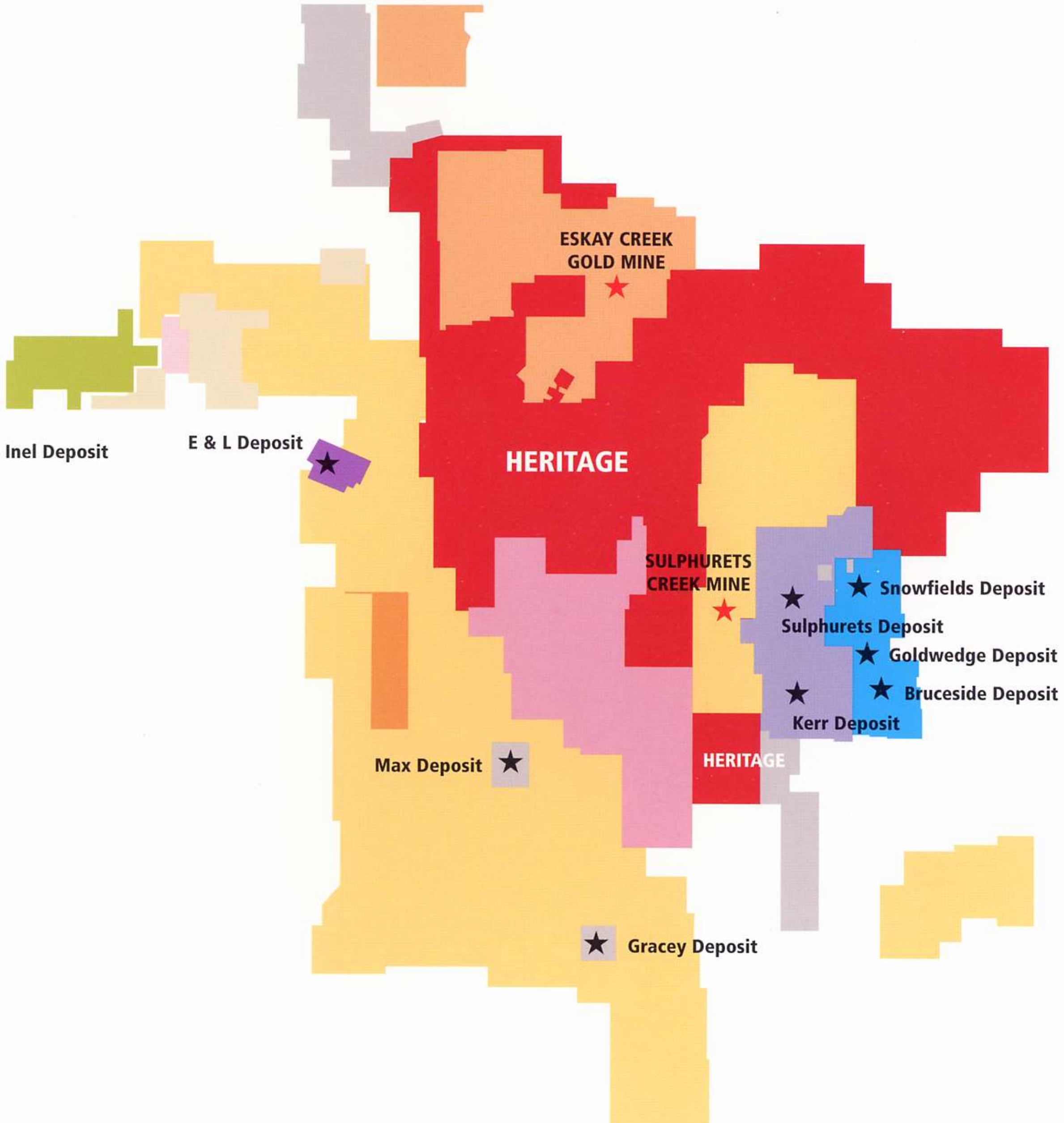
2002 Annual Report

Heritage Explorations Ltd.

2002

Building one of the premier gold exploration companies in North America. Focused on the Eskay Creek Mining Camp, British Columbia - the location of one of North America's richest gold and silver mines.

The proverbial "Pot of Gold" rainbow over one of Heritage's Eskay Creek properties, northern British Columbia.



ANNUAL MEETING

The Annual Meeting will be held
on Thursday, July 3, 2003
at 1:30 pm (Vancouver time)
at the Four Seasons Hotel,
(Arbutus Room),
791 West Georgia Street
Vancouver, British Columbia

Building one of the premier gold exploration companies in North America. Focused on the Eskay Creek Mining Camp, British Columbia - the location of one of North America's richest gold and silver mines.

Exploration and development work at Heritage's Eskay Creek properties, northern British Columbia.

Company Overview

Heritage Explorations Ltd. has implemented a strategy to build one of the premier gold exploration companies in North America focused on exploring and developing a 47,000 hectare land position in the Eskay Creek Mining Camp located in northwestern British Columbia.

HERITAGE
Explorations
Ltd.

President's Report to Shareholders

During 2002, we have continued to make Heritage Explorations one of the premier junior gold exploration companies in North America.

Our strategy of accumulating one of the largest land positions in the Eskay Mining Camp was cemented by the acquisition in June 2002 of Glenfred Holdings Inc. With the addition of the 43,700 - hectare land holdings of Glenfred we believe that Heritage controls the premier land position in the camp. This huge land position was augmented in September 2002 by the acquisition of the remaining 50% interest in the SIB claims from our Joint Venture partners Uniterre Resources Inc.

Geoinformatics Explorations Limited, a technology and science based exploration company, completed the compilation of the Eskay Creek Mining Camp 3D database which included virtually all of the available geological and geographical information. The resulting 3D database was used to produce a 3D model of the Eskay Creek Mining Camp and resulted in the identification of nine priority exploration targets.

The summer 2002 field exploration program consisted of validating the Geoinformatics Process that was used to develop the 3D database and 3D models. This program consisted of field reconnaissance, mapping, surveying, geological validating and re-logging of drill core. A regional high-energy stream geochemical program was conducted over the Heritage land holdings. In addition to confirming the existence of the nine previously identified exploration targets, two new geochemical anomalies were identified. The Hexagon anomaly, located along the eastern portion of the SIB Claim Block is of particular importance as it was discovered in an area that had not been previously identified as an area of potential mineralization.

A short, 8-hole 3,071-meter drill program was carried out in the Fall of 2002 on the SIB Claim Block with the following objectives.

- Validate the 3D model of the SIB Claims area
- Confirm the controls over the mineralization.

The drill program resulted in:

- An ore grade intersection of 11.7 metres of 19.5 grams of gold per tonne ("g/t gold") and 1577.1 g/t silver including a continuous intersection of 7.0 metres at 29.8 g/t gold and 2571.4 g/t silver.
- A new discovery at the Battleship Knoll of 8.2 g/t gold and 16.8 g/t silver over 1.4 metres.

The goal for 2003 is to develop the exploration targets into discoveries through implementing a detailed systematic geological prospecting program which will involve field mapping, geophysical and geochemical surveys and updating the 3D databases and 3D models. We would then plan to drill these developed targets.

Going forward into 2003 and beyond, we are confident of exploration success at Eskay Creek and we believe it is more a question of when, and not if, we make an exploration discovery.

In conclusion, I would like to thank my fellow directors at Heritage Explorations for their advice, support and continued enthusiasm as I look forward to another chapter in the Heritage Story.

Glenn Laing
President and Chief Executive Officer

Oakville, Ontario, Canada
March 25, 2003.

Mineral Properties and Projects

Background

The mineral properties in which Heritage Explorations Ltd. holds varying interests, total approximately 47,000 hectares and are located in northwestern British Columbia near the Eskay Creek Gold Mine, about 70 kilometres northwest of Stewart, British Columbia. The mineral properties and projects can be accessed from Highway 37 by using the 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 kilometres. The Tom Mackay Syndicate ground was divided into a northern half, the Tor-Kay Claims, and a southern half, the SIB Claims.

In 1965, the Stikine Silver Company was formed to explore and develop a silver mining venture on the Tor-Kay Claims at Eskay Creek. Nearly 25 years later in 1988, further exploration by the Stikine/ Calpine Resources Joint Venture lead to the discovery of the 21B Zone at Eskay Creek. This was subsequently developed as part of the Eskay Creek Gold Mine in 1993.

In 1990, Heritage Explorations' predecessor companies, namely American Fibre and Heritage American Resources, through a Joint Venture with Silver Butte Resources, acquired the interest in the SIB Claims.

Mineral Property Description

The contiguous mineral properties of Heritage Exploration are described below by historical groupings.

- **SIB Claims** *(100%)* are adjacent to and contain the along strike extensions of the stratigraphic units present at the Eskay Creek Gold Mine Property which lie to the north of the SIB Claim Block. From 1989 to 2002, 113 drill holes were completed on the SIB Claims. Numerous encouraging intersections were encountered including the Lulu and Battleship Knoll Zones.

- **Glenfred Claims and Leases** *(100%)* covering a total of 46,700 hectares of stratigraphically favourable landholdings over the Hazelton Group Sequence. The Hazelton Group Sequence rocks are considered favourable to host gold mineralization. Exploration has been carried out on these claims and leases to identify the location of the Hazelton Group Sequence rocks.

- **Teuton Joint Ventures** *(50%)* comprise two separate joint venture areas:
  - **Bonsai Joint Venture Area**
  - **Treaty Creek Joint Venture Area.**

- **Heritage Claims** *(100%)* comprising the Polo, Megan, Skookum, Rambo, Fog, Sto, John and Lance Claims. Based on the exploration that has been carried out on these claims, the majority are regarded as prospective for gold mineralization.

Summer/Fall 2002 Exploration Program

The summer/fall 2002 exploration program comprised three components:

- field validation of the 3D databases and 3D models developed by Geoinformatics Explorations.

- regional scale geochemical stream sampling program over most of the mineral property area. Two new gold/multi-element geochemical anomalies were located. The principal anomaly, the Hexagon Zone is a broad zone, approximately 5,000 by 1,000 metres in extent, located along the eastern side of the SIB Claims approximately 1 kilometre to the east of the Lulu Zone and Battleship Knoll prospects. Some of the geochemical samples returned anomalous gold values in the 1,000 ppb range (the equivalent in magnitude of 1 gram per tonne gold), with high values of silver, arsenic, mercury, copper and zinc. These elements are important for identifying mineralization in the Eskay Creek Camp. This area has not been drill tested.

- drill testing of the SIB Claims to validate the 3D exploration targets and to confirm the controls of mineralization resulting in the following:
  - intersecting the extension of the Lulu Zone on the SIB Claims. Diamond drill Hole 2-113 encountered 11.7 metres of 19.5 g/t gold and 1577.1 g/t silver which included an intersection of 7.0 metres of 29.8 g/t gold and 2571.4 g/t silver. Three holes were drilled to constrain the Lulu Zone, to validate a new 3D geological model and to test the revised structural interpretation and the orientation of the Lulu Zone. Hole 2-113 was positioned to confirm the mineralization intersected by a previous Hole 90-30, drilled in 1990. Drilling by previous operators was unable to achieve this extension. The other drill holes in the Lulu Zone this year were drilled prior to receiving results from Hole 2-113. Adverse weather conditions prevailing at the time of the fall 2002 drilling, precluded immediate follow-up. Further success is anticipated with additional drilling for an extension of the Lulu Zone high-grade mineralization, during the next field season.
  - discovering a previously unknown gold zone at the Battleship Knoll area of the SIB Claims where Hole 2-115 encountered an intersection of 1.4 metres of 8.2 g/t gold and 16.82 g/t silver. The Battleship Knoll is located approximately 5 kilometres south from the Eskay Creek Mine and approximately 2 kilometres northeast from the Lulu Zone.

Confirmation of Eskay Creek Exploration Model

The 3D Exploration model and all nine previously identified exploration target areas were successfully validated. Including the two new geochemical anomalies identified above, Heritage Explorations believes that all of the eleven exploration targets have the potential for future gold mineralization discoveries beginning with the 2003 Summer exploration program.

Exploration Program 2003

The success of the 2002 exploration program and the ability of the Geoinformatics 3D models to predict the geological structures and stratigraphy (particularly the favourable mudstone horizons), has encouraged Heritage Explorations to commence planning an extensive and aggressive Summer 2003 exploration program. The Company plans to continue follow up exploration on the remaining 8 exploration target areas, follow up the two new gold/multi-element anomalies and continue testing the SIB Claims drill target.

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

Overview

Heritage Explorations Ltd. ("Heritage" or the "Company") is an exploration company focused on exploring and developing its land package located in the Eskay Creek Mining Camp. Heritage's exploration ground is adjacent to, along strike and in a regionally important context to one of North America's richest gold and silver mines, Barrick's Eskay Creek Gold Mine.

During 2002, Heritage completed the acquisition of Glenfred Holdings Inc. ("Glenfred") resulting in a combined land holdings of 47,000 hectares. Heritage carried out a three-part exploration program in 2002 based on the 3D modeling and analysis that was completed by Geoinformatics Exploration Australia Pty Ltd., a subsidiary of Geoinformatics Explorations Limited, a technology and science based exploration company ("Geoinformatics"). The first part was concentrating on the field validation of 3D database and 3D models. The second part was a regional scale geochemical stream sampling program. The third part was a limited drill program.

Operations

During 2001, Heritage restructured and St Andrew Goldfields Ltd. ("St Andrew") and Zebrex Holdings Inc. ("Zebrex") made a substantial investment in the Company. Heritage carried out certain exploration activities. With this came increased administrative expenditures. This trend continued in 2002. Heritage incurred a loss for the year ended December 31, 2002 of $467,880 or $0.04 per share compared to a loss of $120,624 or $0.04 per share for the prior year. This increase related to the cost of a full year of activity with increased exploration activities resulting in higher audit, accounting and administrative fees, consulting fees, management fees, travel and promotion, legal fees, shareholder information, office and miscellaneous costs, and bank charges and interest. The Company, currently, does not have any employees and has an arrangement with St Andrew to provide most of the administrative, accounting, and management services required. St Andrew and Geoinformatics provided certain geological related services. St Andrew owns a 45.4% interest in Geoinformatics. Certain directors also provide management and consulting services to the Company. The operating costs of the Company should stabilize in 2003 at about the same levels as 2002. In 2001, the Company had a $74,575 gain on forgiveness of debt related to the restructuring.

During 2002, the Company completed the acquisition of Glenfred. With this acquisition, $1,182,259 of value was ascribed to the value of properties. Heritage also acquired Uniterre's 50% interest in the SIB and certain other claims for $750,000. The Company has paid $300,000 cash and has an obligation of $400,000 to be paid over the next two years.

During 2002, the Company carried out a collaboration with Geoinformatics to collect data and model the Eskay Creek Region. Based on this work an exploration program was carried out including a geochemical stream sampling program, a field mapping program and a drill program. Total exploration expenditures fot 2002 were $1,826,293 compared to $124,119 in 2001.

Liquidity and Solvency

Due to the increase in General and Administrative expenditures, Heritage used $443,542 of cash in operating activities before changes in non-cash working capital during 2002, compared to $189,916 in 2001. Heritage had, at December 31, 2002, a working capital deficit of $602,066 compared to a surplus of $170,124 at December 31, 2001. At December 31, 2002, the Company had long-term obligations of $250,000 primarily relating to the acquisition cost of Uniterre Resources interest in the SIB Claims. Subsequent to year end, the Company raised $459,250 pursuant to a private placement financing to improve its working capital position. The Company is seeking additional financing to fund its exploration programs and its working capital needs.

During 2002, Heritage raised gross cash proceeds of $1,796,907 from the issuance of shares including $1,100,000 related to flow-through shares. The Company expended these funds as part of its exploration program and renounced the related tax deductions to shareholders in March of 2003. In addition to the shares issued for cash proceeds, the Company issued shares to settle $631,353 of debt and, on the exercise of warrants, reduced amounts owing to related parties by $694,293.

Heritage carried out an exploration and acquisition program using $2,126,293 of cash, excluding $500,000 of expenditures pursuant to an option agreement with Kinross Gold Corporation. This compares to $137,357 of expenditures in 2001.

Risks and Opportunities

Mineral Exploration and Development

Heritage's properties (the "Properties") are in the exploration stage and are without a known body of commercial ore. Development of the Properties will only proceed upon obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. There is no assurance that even if a body of commercial ore is discovered on the Properties, a mine will be brought into commercial production. The feasibility of developing a mineral deposit once discovered is dependent on a number of factors, including the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations.

The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors, which are beyond the control of the Company.

Additional Financing

The Company does not currently have sufficient financial resources to undertake all of its planned exploration and possible development programmes. The exploration and subsequent development of the Properties may therefore depend on the Company's ability to obtain additional required financing. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfill its obligations on the Properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and the possible loss of the Company's interest in the Properties.

Governmental Regulation

Exploration, development and mining of the Properties will be affected to varying degrees by: *(i)* government regulations relating to such matters as environmental protection, health, safety and labour; *(ii)* mining law; *(iii)* restrictions on production; price controls; tax increases; *(iv)* maintenance of claims; *(v)* tenure; and *(vi)* expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Government approvals and permits are required in connection with the exploration activities proposed for the Properties. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed, or cancelled entirely.

Failure to comply with applicable laws, regulations and requirements may result in enforcement action against the Company, including orders calling for the curtailment or termination of operations on the properties, or calling for corrective or remedial measures requiring considerable capital investment. Parties engaged in mineral exploration and mining activities may be subject to civil and criminal liability as a result of failure to comply with applicable laws and regulations.

Amendments to current laws, regulations and permitting requirements affecting mineral exploration and mining activities could have a material adverse impact on the Company's operations and prospects.

Claims Titles and Aboriginal Rights

Aboriginal rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is not aware of any aboriginal land claims having been asserted or any legal actions relating to aboriginal issues having been instituted with respect to the Properties. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such cooperation.

Other parties may dispute the Company's title to the Properties and the Properties may be subject to prior unregistered agreements or transfers or land claims by aboriginal peoples, and title may be affected by undetected encumbrances or defects or government actions.

Outlook

Heritage is focused on continuing its exploration activities. Heritage is seeking to raise up to $3.1 million dollars by way of certain private placements to fund an exploration program in 2003 and its corporate general and administrative costs. Heritage has two major shareholders, St Andrew Goldfields Ltd. (42%) and Zebrex Holdings Inc. (33%). The association with St Andrew has provided Heritage access to the Geoinformatics Technology Platform and databases developed by St Andrew in collaboration with Geoinformatics Exploration Australia 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 2003.

Changes in Canadian Accounting Recommendations

Disposal of Long-Lived Assets and Discontinued Operations

In December 2002, the Canadian Institute for Chartered Accountants ("CICA") revised Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations". Section 3475 provides a single accounting model for long-lived assets to be disposed of by sale. Section 3475 provides specified criteria for classifying an asset as held-for-sale and requires assets classified as held-for-sale to be measured at the lower of their carrying amounts or fair value, less costs to sell. Section 3475 also broadens the scope of businesses that qualify for reporting as discontinued operations to include any disposals of a component of an entity, which comprises operations and cash flows that can be clearly distinguished from the rest of the Company, and changes the timing of recognizing losses on such operations. The revised standards contained in Section 3475 on disposal of long-lived assets and discontinued operations are applicable to disposal activities initiated by the Company's commitment to a plan on or after May 1, 2003; however, early application is permitted. The Company intends to adopt this standard as of January 1, 2003. The Company does not believe that the adoption of this standard will have a material impact.

Impairment of Long-Lived Assets

In December 2002, the CICA issued Handbook Section 3063, "Impairment or Disposal of Long-Lived Assets". Section 3063 amends existing guidance on long-lived asset impairment measurement and establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets held for use by the Company. It requires that an impairment loss be recognized when the carrying amount of an asset to be held and used exceeds the sum of the undiscounted cash flows expected from its use and disposal; the impairment recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value. The new standards contained in Section 3063 on the impairment of long-lived assets held for use are applicable for years beginning on or after April 1, 2003; however, early application is permitted. The Company intends to adopt this standard as of January 1, 2003. The Company does not believe that the adoption of this standard will have a material impact.

Accounting for Asset Retirement Obligations

In March 2003, the CICA issued Section 3110, "Accounting for Asset Retirement Obligations". Under Section 3110 the Company records the full amount of any obligation associated with the asset retirement, such as the reclamation associated with the end of a mine's life, as a liability. At the same time, a corresponding asset is recorded which is depreciated over the life of the asset. The Company is required to adopt Section 3110 on January 1, 2004. The Company has not yet determined the impact of implementation of these guidelines on its 2004 consolidated financial statements.

Auditors' Report to Shareholders

To the Shareholders of Heritage Explorations Ltd.

We have audited the consolidated balance sheets of Heritage Explorations Ltd., (formerly Heritage American Resource Corp.) (A Development Stage Company) as at December 31, 2002 and 2001 and the consolidated statements of loss 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 December 31, 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. 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 years.

Staley, Okada & Partners

Chartered Accountants

Surrey, B.C.
February 5, 2003 (except as to Note 13 which is as at February 26, 2003)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements and all other information in this annual report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

The Company maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and a majority of its members are outside directors. The Committee meets with management as well as the external auditors to discuss auditing matters and financial reporting issues and to review the annual report, the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

The consolidated financial statements have been audited by Staley, Okada & Partners, the external auditors, in accordance with the generally accepted auditing standards on behalf of shareholders. The external auditors have free access to the Audit Committee.

Glenn Laing
President and
Chief Executive Officer

Julian Kemp
Chief Financial Officer

February 26 , 2003

Consolidated Balance Sheet

As at December 31
Canadian Funds

	2002	2001
Assets		
Current		
Cash	**$ 34,679**	$ 194,784
Receivables and prepaid expenses	**151,836**	7,701
Due from related parties (Note 9a)	**–**	64,017
	186,515	266,502
Reclamation Deposit	**50,000**	–
Resource Property Costs - Schedule *(Note 6 and 8j)*	**5,982,314**	2,223,762
Capital Assets, net of accumulated amortization	**18,805**	1,728
Incorporation Costs	**3,661**	3,661
	$ 6,241,295	$ 2,495,653
Liabilities		
Current		
Accounts payable and accrued liabilities *(Note 6d)*	**$ 483,726**	$ 52,102
Due to related parties *(Note 9b)*	**104,855**	44,276
Due to Uniterre Resources Ltd. - current *(Note 6b)*	**200,000**	–
	788,581	96,378
Due to a Related Party *(Note 7)*	**–**	12,500
Provision for Site Restoration Costs	**50,000**	–
Due to Uniterre Resources Ltd. *(Note 6b)*	**200,000**	–
Contingent Liability *(Note 12)*		
Shareholders' Equity		
Share Capital *(Note 8)*	**8,569,715**	5,285,896
Deficit - Statement 2	**(3,367,001)**	(2,899,121)
	5,202,714	2,386,775
	$ 6,241,295	$ 2,495,653

On behalf on the Board

Glenn Laing,
Director

W. Fred Christensen,
Director

See Accompanying Notes

Consolidated Statement of Loss and Deficit

For the Years Ended December 31
Canadian Funds

	2002	2001
General and Administrative Expenditures		
Audit, accounting and administration fees	**$ 125,812**	$ 26,317
Consulting fees (Note 8p)	**88,979**	29,950
Management fees	**60,000**	22,348
Travel and promotion	**47,513**	30,869
Legal fees	**45,996**	17,666
Shareholder information	**38,334**	10,886
Office and miscellaneous	**23,774**	9,457
Rent	**12,977**	11,056
Transfer agent fees	**12,583**	22,960
Bank charges, interest and foreign exchange, net	**5,209**	132
Listing and filing fees	**4,660**	8,275
Amortization	**2,043**	305
Loss Before Other Items	**467,880**	190,221
Write-off of resource property costs	**–**	4,978
Gain on forgiveness of debt	**–**	(74,575)
Loss for the Year	**467,880**	120,624
Deficit - Beginning of year	**2,899,121**	2,778,497
Deficit - End of Year	**$ 3,367,001**	$ 2,899,121
Loss per Share - Basic and Diluted	**$ 0.04**	$ 0.04

See Accompanying Notes

Consolidated Statement of Cash Flows

For the Years Ended December 31
Canadian Funds

	2002	2001
Cash Resources Provided By (Used In)		
Operating Activities		
Loss for the year	**$ (467,880)**	$ (120,624)
Items not affected by cash:		
Write-off of resource property costs	**–**	4,978
Gain on forgiveness of debt	**–**	(74,575)
Stock compensation expense included in consulting fees	**22,295**	–
Amortization	**2,043**	305
Changes in non-cash working capital	**950,596**	(66,460)
	507,054	(256,376)
Investing Activities		
Reclamation bond	**(50,000)**	–
Acquisition of Glenfred Holdings Inc. - cash acquired	**12,199**	–
Direct costs of acquisition of Glenfred Holdings Inc.	**(7,378)**	–
Resource property costs	**(2,126,293)**	(137,357)
Kinross Gold Corporation exploration costs	**(500,000)**	–
Purchase of capital assets	**(19,120)**	(2,033)
	(2,690,592)	(139,390)
Financing Activities		
Share capital issued for cash	**1,796,907**	538,238
Option payment received from Kinross Gold Corporation	**500,000**	–
Agent fees and other share issuance costs paid	**(243,474)**	–
Advances from (to) a related party	**(30,000)**	11,029
	2,023,433	549,267
Net Increase (Decrease) in Cash	**(160,105)**	153,501
Cash position - Beginning of year	**194,784**	41,283
Cash position - End of Year	**$ 34,679**	$ 194,784
Supplemental Schedule of Non-Cash Transactions		
Acquisition of Glenfred Holdings Inc. - Resource property cost acquired	**$ 1,182,259**	$ –
Provision for rehabilitation - resource property costs	**$ 50,000**	$ –
Accrual of due to Uniterre Resources Ltd.	**$ 400,000**	$ –
Stock compensation expense	**$ 22,295**	$ –
Warrants exercised and reduction of due to related parties	**$ 694,293**	$ –
Shares issued on acquisition of Glenfred	**$ 382,445**	$ –
Shares issued for settlement of debt	**$ 631,353**	$ 80,000

See Accompanying Notes

Schedule of Resource Property Costs

For the Years Ended December 31
Canadian Funds

	Acquisition Costs	*Exploration Costs*	*2002*	*2001*
Direct - Mineral				
Eskay Creek Claims, B.C.				
Acquisition Glenfred Holdings Inc.	$ 1,182,259	$ –	**$1,182,259**	$ –
Geological consulting, mapping and modelling	–	703,708	**703,708**	113,587
Field costs and other	–	499,874	**499,874**	10,532
Acquisition of S.I.B. claims from Uniterre Resources Ltd.	750,000	–	**750,000**	13,238
Travel and transportation	–	233,562	**233,562**	–
Drilling	–	198,267	**198,267**	–
Surveying	–	159,793	**159,793**	–
Assaying	–	31,089	**31,089**	–
Costs for the Year	1,932,259	1,826,293	**3,758,552**	137,357
Balance - Beginning of Year	63,239	2,160,523	**2,223,762**	2,091,383
Write-off of resource property costs	–	–	**–**	(4,978)
Balance - End of Year	$ 1,995,498$	3,986,816	**$5,982,314**	$ 2,223,762

See Accompanying Notes

Notes to Financial Statements

December 31, 2002 and 2001
Canadian Funds

1. Continued Operations

The Company is a development stage company which is engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties and the attainment of profitable operations is dependent upon the discovery, development and sale of ore reserves, the ultimate outcome of which cannot presently be determined as they are contingent on future events.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Several adverse conditions cast doubt on the validity of this assumption. The company has incurred significant operating losses over the past several fiscal years, is currently unable to self-finance operations and has a working capital deficiency of $602,066.

The Company is planning to meet its current obligations by raising funds via a private placement *(Note 13)*. The company's continued existence is dependent upon its ability to obtain additional financing and achieve profitable operations.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned will mitigate the adverse conditions and events which raise doubts about the validity of the going concern assumption used in preparing these consolidated financial statements.

If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

2. Basis of Presentation

These consolidated financial statements include the accounts of the Company's wholly-owned subsidiary Glenfred Holdings Inc. ("Glenfred"), and its subsidiaries, from the date of acquisition of July 19, 2002 *(Note 5)*. Glenfred owns 100% of 615857 B.C. Ltd. ("BCCO") and 99.57% of Tagish Resources Limited ("Tagish"). These consolidated financial statements also include the accounts of the company's wholly-owned subsidiary, Silver Butte Mines Ltd. ("Silver Butte"), from the date of acquisition of September 11, 2002 *(Note 6b.)* All of the subsidiaries are accounted for using the purchase method.

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 orebody 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.

The Company may be entitled to certain provincial and federal mining exploration tax credits. They will be applied against deferred exploration costs in the period in which the tax credits are received.

c) **Environmental Expenditures**

The operations of the Company may in the future be affected from time-to-time by changes in environmental 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.

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) **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.

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.

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) **Stock-Based Compensation**

The Company has adopted the new recommendations of CICA Handbook Section 3870, Stock-based compensation and other stock-based payments. It is applied on a prospective basis and applies to all awards granted on or after January 1, 2002. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

Non-employees

The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method.

Employees

The standard encourages the use of a fair value based method for all awards granted to employees, but only requires the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a company has the ability to settle in stock are recorded as equity, whereas awards that the entity is required to or has a practice of settling in cash are recorded as liabilities. The Company has elected to account for employee stock options by measuring compensation cost for options using a fair value method. As required for the employee stock options, the Company will disclose pro-forma income (loss) and pro-forma earnings (loss) per share.

h) **Loss per Share**

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.

i) **Management's 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

4. Fair Value of Financial Instruments

The Company's financial instruments consists of cash, receivables, amounts due to/from related parties and accounts payable. 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. Acquisition of Glenfred Holdings Inc.

a) On July 19, 2002 the Company acquired from companies with common directors, 100% of the issued and outstanding shares of Glenfred Holdings Inc. ("Glenfred") and its two Canadian subsidiaries 615857 B.C. Ltd. ("BCCO") and Tagish Resources Limited ("Tagish"). The vendors, St Andrew Goldfields Ltd. (50%), Zebrex Holdings Ltd. (37.5%) and Dolly Varden Resources Inc. (12.5%) received 7,378,750 common shares of the company (90% of the shares are escrowed with release of 15% occurring every six months commencing January 19, 2003). As further consideration, in exchange for cancellation of Glenfred's outstanding stock options, the company granted, to two directors in common, 737,000 stock options exercisable at $0.1221 per share and expiring on October 1, 2006. In addition, the Company assigned, to the vendors, rights to receive a 4% Net Smelter Return ("NSR") on all mineral claims that Glenfred owned or had right to on the date of acquisition.

Glenfred has varying interests in 43,604 hectares of mineral tenures adjacent to the Company's claims in the Eskay Creek Mining Camp, B.C.

b) The consolidated balance sheet of Glenfred on the date of acquisition and the purchase price were as follows:

S.I.B. Claims, B.C.		
Cash on hand	$	12,199
Receivables and prepaids		11,865
Resource property costs		1,182,259
Accounts payable		(97,577)
Due to related parties		(718,923)
	$	389,823
Consideration:		
7,378,750 shares	$	382,445
Acquisition Costs		7,378
	$	389,823

Since this is a related party transaction with non-cash consideration, the acquisition was recorded at the net book value of Glenfred.

6. Resource Property Costs

a) Details are as follows:

	Acquisition Costs	*Exploration Costs*	*2002*	*2001*
Eskay Creek claims, B.C.	$ 1,995,498	$ 3,986,816	$ 5,982,314	$ 2,223,762

b) **S.I.B. Claims, Eskay Creek, B.C.**

Pursuant to an agreement dated 11 September 2002, the Company agreed to acquired from Uniterre Resources Ltd. ("Uniterre") 100% of issued and outstanding shares of Silver Butte Mines Ltd. ("Silver Butte") for $750,000. Silver Butte holds a their 50% interest in a joint venture (the joint venture"), which holds interest in certain S.I.B. and other mineral claims (the "Claims") in the Eskay Creek area. The acquisition had on the following terms and conditions: *a)* $50,000 cash payment upon signing of the agreement (paid), *b)* $300,000 cash payment on or before 31 October 2002 (paid), *c)* $200,000 cash payment on or before October 31, 2003 (accrued as a current payable), *d)* $200,000 cash payment on or before October 31, 2004 (accrued as a long-term liability) and *e)* an assignment of a 2% NSR to Uniterre on the 100% interest in the Claims.

Prior to 11 September 2002, the Company had a 50% interest in the joint venture to explore and develop the S.I.B. Claims. The Company now owns a 100% interest in the joint venture.

On the date of acquisition by the Company, Silver Butte's only asset was the 50% interest in the joint venture (recorded in its books at $750,000), with an offsetting liability of $750,000 promissory note payable to Uniterre. On October 31, 2002, for nominal consideration, Uniterre assigned to the Company the $750,000 note receivable. Under Canadian generally accepted accounting principles the consideration given, being $750,000, must be allocated to the to the underlying assets, therefore the company's deferred resource property costs were increased by $750,000.

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

The Company has staked numerous mineral claims in B.C. near the S.I.B claims and the Eskay Creek Mine including the acquisition of five claims during 2001. On July 19, 2002, the Company acquired Glenfred increasing its position in the Eskay Creek mining camp (Note 5).

During 2001, the Company carried out a limited exploration program, which included geochemical sampling, the collection of exploration data and the compilation and management of the data resulting in a geological model. During the current year, the company continued with the program of compilation, interpretation and geological modelling and a drilling program.

d) **Secured Liability**

Included in accounts payable and accrued liabilities is a payable of $142,288. The creditor has filed a lien against 13 claims in Eskay Creek in which the company holds an interest. If this liability is not discharged, the lien holder may enforce the lien by court action which may result in a sale of these mineral claims. Subsequent to year-end, the company paid off this liability.

7. Due to a Related Party

In June 2001, the company and a company controlled by a director reached a debt settlement agreement whereby all amounts owing would be settled with the payment of 24 monthly instalments of $2,500 commencing in June 2001. During the year ended December 31, 2002, $30,000 was paid leaving a balance of $12,500 (2001 - $30,000). This amount has been reflected as a current obligation *(Note 9b).*

8. Share Capital

a) Details are as follows:

	Number of Shares		*Amount*	
	2002	*2001*	*2002*	*2001*
Authorized:				
500,000,000 shares without par value				
Issued, alloted and fully paid:				
Opening balance	7,386,057	2,061,057	$ 5,285,896	$ 4,667,658
For cash	2,548,267	5,125,000	1,786,200	538,238
Warrants exercised	5,500,000	–	705,000	–
For debt settlement	841,804	200,000	631,353	80,000
For acquisition Glenfred Holdings Inc.	7,378,750	–	382,445	–
Share issuance costs	28,300	–	(243,474)	–
Stock option expense	–	–	22,295	–
Closing balance	23,683,178	7,386,057	$ 8,569,715	$ 5,285,896

b) In June 2001, the company consolidated its share capital 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 period 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 August 29, 2001, the company issued 200,000 common shares at a deemed price of $0.40 per share in settlement of an $82,500 debt due to a director of the company resulting in a gain of $2,500 to the Company.

d) On September 21, 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 at $0.12 until September 21, 2003.

e) On December 6, 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 December 6, 2003. The shares and warrants were issued during the current year.

f) On July 16, 2002, the company issued, by private placement, 500,000 units at $0.50 per unit for total net proceeds of $250,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at $1.00 until May 29, 2004.

g) On July 19, 2002 the company acquired Glenfred, by issuing 7,378,750 common shares in exchange for all of the issued and outstanding shares of Glenfred. The company recorded the issuance of shares at Glenfred's net book value at the date of acquisition *(Note 5).*

h) In August 2002, the Company completed two financings, comprised of 1,466,667 flow-through shares at a subscription price of $0.75 per share and 253,334 units consisting of one common share and one common share purchase warrant at a subscription price of $0.75 per unit for total gross proceeds of $1,290,000. Each common share purchase warrant entitles the holder to acquire one common share of the Company at $1.00 per share. Out of the total number of warrants issued, 153,334 warrants expire on 8 February 2004, and 100,000 warrants expire on February 29, 2004. The agent was paid a fee equal to 6% of gross proceeds. The agent agreed to subscribe for 51,600 shares at $0.75 per share providing an additional $38,700 in proceeds. The Broker was also issued 172,000 broker warrants exercisable at $0.75 per share. Out of the total number of broker warrants issued, 162,000 broker warrants expire on August 8, 2003, and 10,000 broker warrants expire on August 30, 2003. The Company also incurred $123,653 of legal and other direct share issuance costs.

i) On October 16, 2002, the Company issued, by private placement, 276,666 units at $0.75 per unit for total net proceeds of $207,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional share at $1.00 until April 18, 2004. The agent was paid a cash fee of $6,225 and was issued 8,300 common shares. The Broker was also issued 27,666 broker warrants exercisable at $1.00 per share and expiring on April 18, 2004.

j) On 21 October 2002, Kinross Gold Corporation ("Kinross") advanced $500,000 (spent) for exploration expenses to the Company, as operator, to earn a 5% interest in certain of the company's Eskay Creek properties pursuant to an option agreement previously announced on October 4, 2002. Kinross has the option to sell its 5% interest back to the Company for 666,667 units of the Company until 31 May 2003. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional share for $1.00 any time before May 31, 2004. Should the option expire, the company will have the option to buy back the 5% interest under the same terms until June 30, 2003. Should both of these options expire, Kinross has, for 30 days, a further option to earn an additional 30% interest in the property by spending $7,500,000 on exploration within the next two years. Any party can now request a formation of a joint venture. The agent was paid a cash fee of $15,000 and was issued 20,000 common shares. The Broker was also issued 66,667 broker warrants exercisable at $1.00 per share and expiring on April 18, 2004.

k) On December 18, 2002, St Andrew Goldfields Ltd. ("St Andrew"), a company with directors and officers in common, and Zebrex Holdings Inc. ("Zebrex"), a company with a director and officer in common, exercised 187,500 warrants each at $0.40 per warrant. No cash was received, however, the loans payable to St Andrew and Zebrex were each reduced by $75,000 respectively.

l) On 11 December 2002, St Andrew and Zebrex exercised 1,062,500 and 1,500,000 warrants each at $0.12 and $0.10 per warrant respectively, for deemed proceeds of $555,000. An amount of $10,707.33 was received from Zebrex and the balance was applied to the loans payable to St Andrew and Zebrex respectively.

m) On December 12, 2002, St Andrew was issued an additional 696,951 common shares at a deemed price of $0.75 per share. The deemed proceeds of $522,713 were applied to the balance outstanding at December 12, 2002. Geoinformatics Exploration Australia Pty Ltd. ("Geoinformatics"), formerly Fractal Graphics Pty Ltd., was issued 144,853 common shares of the Company to settle an outstanding amount of $108,640 at $0.75 per common share.

n) There are 6,642,145 (2000 - 1,270) shares held in escrow, to be released only with the consent of the governing regulatory bodies. Pursuant to an escrow agreement *(Note 5),* commencing on January 19, 2003, 15% of escrowed shares is expected to be released every six months. Subsequent to year-end, 1,106,812 shares were released from escrow.

o) In connection with sales of common stock during 2002 and 2001, the Company has also issued and allotted warrants to acquire common stock. The warrant activity is as follows:

	Number	*Price per Share*	*Expiry Date*
Balance - December 31, 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 - December 31, 2001	5,562,500	$0.10 - $0.40	1 February 2002 - 6 December 2003
Warrants expired	(62,500)	$0.40	1 February 2002
Warrants issued	753,334	$1.00	8 February 2004 - 11 June 2004
Warrants issued to Broker	172,000	$0.75	8 August 2003 - 30 August 2003
Warrants issued	276,666	$1.00	18 April 2004
Warrants issued to Broker	94,333	$1.00	18 April 2004
Warrants exercised	(375,000)	$0.40	18 December 2002
Warrants exercised	(2,125,000)	$0.12	18 December 2002
Warrants exercised	(3,000,000)	$0.10	18 December 2002
Balance - 31 December 2002	1,296,333	$0.75 - $1.00	8 August 2003 - 29 May 2004

p) Stock option activity pursuant to the employees stock option plan, is summarized as follows:

	Number of Options	*Weighted-Exercise Price*	*Weighted-Average Exercise Price*	*Expiry Date*
Outstanding at December 31, 2001 and 2000	–	–	–	–
Granted	735,000	$0.25	$0.25	18 April 2007
Granted as a result of Glenfred Holdings Inc. acquisition	737,000	$0.12	$0.12	1 October 2006
Outstanding at December 31, 2002	1,472,000	$0.12 - $0.25	$0.19	1 October 2006 - 18 April 2007

The total pro forma value of stock options expense granted to employees for the year ended December 31, 2002 is $305,887. This value is estimated at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: 4.1 year expected term, 146.4% volatility, risk-free interest rate 4.7% and expected dividend yield of 0%. The resulting pro forma loss per share for the year ended 31 December31, 2002 is as follows:

		Year Ended December31, 2002
Loss as reported	$	467,880
Fair value of employee stock compensation expense		305,887
Pro forma loss	$	773,767
Loss per common share	$	0.04
Pro forma loss per common share	$	0.07

Using the same assumptions as above a stock compensation expense amount of $22,295 for non-employee stock options has been recorded in consulting expenses.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the company's stock options.

9. Related Party Transactions

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

a) Due from related parties includes $NIL (2001 - $64,017) owing from affiliated companies with directors and officers in common.

b) Due to related parties includes the following:

- $12,500 (2001 - $30,000) owing to a company controlled by a director/officer of the Company. These amounts are non-interest bearing and are repayable at $2,500 per month.
- $84,614 (2001 - $6,987) owing to directors, officers, shareholders with directors and officers in common and companies with directors and officers in common. These amounts are non-interest bearing and have no specific terms of repayment.
- $7,741 (2001 - $7,289) owing to a director of the Company, bearing interest at prime plus 2% and without specific terms of repayment.

c) During the year, management fees of $30,000 (2001 - $12,500) were paid or accrued to various companies controlled by directors/officers. Management fees of $NIL (2001 - $9,848) were paid or accrued to St Andrew. Administration service fees of $109,146 (2001 - $19,119) and geological consulting fees of $562,723 (2001 - $90,428) were paid or accrued to St Andrew, which include $507,588 (2001- $90,428) St Andrew's payments to Geoinformatics, a company with directors and shareholders in common. Geoinformatics charges the Company for its services at the same rates that are being charged to unrelated parties.

d) During the year, consulting fees of $30,000 (2001 - $29,950) were paid or accrued to a director of the Company and $30,584 (2001- $NIL) were paid to St Andrew for consulting services of a director and officer in common.

e) During the year management fees of $30,000 (2001 - $NIL) were accrued to a director of the Company.

f) As at December 31, 2002, St Andrew owns approximately 42% of issued and outstanding shares of the Company.

g) As at December 31, 2002, Zebrex owns approximately 33.7% of the issued and outstanding shares of the Company.

10. Income Taxes

a) The Company has accumulated non-capital losses for income tax purposes of approximately $794,000 which may be used to reduce future taxable income. These losses expire as follows:

2003	$ 175,000
2007	102,000
2009	517,000
	$ 794,000

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

c) The Company has incurred approximately $8,807,000 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 due to uncertainty surrounding realization of such benefits.

11. Change of Name

During the year ended 31 December 2001, the Company changed its name from Heritage American Resource Corp. to Heritage Explorations Ltd.

12. Contingent Liability

Glenfred is a defendant in a lawsuit by Canamera Geological Ltd. ("Canamera") for an amount of $658,341. Canamera claims that it incurred exploration expenditures, cash paid in lieu of exploration work and various fees from July 1996 to January 1999 on behalf of Tagish and the TEG 2 Joint Venture. TEG 2 Joint Venture is now controlled by the Company. Management does not believe any monies are owing and counterclaims have been filed against Canamera and its principal. No amounts have been accrued in these consolidated financial statements for the Canamera claim as the ultimate outcome can not be determined at the present time.

13. Subsequent Event

Subsequent to year-end, the Company completed a private placement financing for gross proceeds of $459,250 through the issuance of 835,000 units at $0.55 per unit. Each unit consists of one common share and one common share purchase warrant exercisable on or before February 17, 2004 for one common share at $0.60 per share. The proceeds from the offering will be used for general corporate purposes and general preparatory work for the Company's proposed summer 2003 exploration program at the Eskay Creek properties. Heritage paid a cash commission/finder's fee of $9,900 to those persons who arranged for places to participate in the offering. Out of the total number of units sold, 400,000 units were purchased by St Andrew and 51,362 units were purchased by an officer of the Company.

Corporate Information

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James J. Bond
W. Fred Christensen
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Charles Douglas Proctor

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Share Listing and Shares Issued

TSX Venture Exchange
Trading Symbol - HXL
Issued and Outstanding - 23,683,178
common shares (at December 31, 2002)

Major Shareholders

St Andrew Goldfields Ltd - 42.0%
Zebrex Holdings Limited - 33.7%

Conversion Factors

1 foot	=	.3048 metres
1 mile	=	1.6093 kilometres
1 sq. mile	=	2.59 sq. kilometres
1 sq. mile	=	640 acres
1 acre	=	.4047 hectares
1 troy ounce	=	31.1035 grams
1 ton	=	.90718 tonnes
1 ton	=	2000 pounds
1 pound	=	.4536 kilograms
1 ounce/ton	=	34.2857 grams/tonnes

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