

CROWFLIGHT MINERALS INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

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AUDITORS' REPORT

To the Shareholders of Crowflight Minerals Inc.

We have audited the consolidated balance sheets of Crowflight Minerals Inc. as at December 31, 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

LEE & KIM, LLP

SIGNED: " LEE & KIM, LLP"

TORONTO, Canada
May 13, 2003

CHARTERED ACCOUNTANTS

	2002 \$	2001 \$
ASSETS		
CURRENT		
Cash	421,836	-
Sundry receivables	2,974	24,582
Advances to related corporation (note 5)	-	80,678
Prepaid expenses	<u>30,057</u>	<u>640</u>
	454,867	105,900
CAPITAL ASSET (note 3)	1,122	2,468
INTEREST IN MINERAL PROPERTIES (note 4)	<u>2,208,435</u>	<u>2,247,164</u>
	<u>2,664,424</u>	<u>2,355,532</u>
LIABILITIES		
CURRENT		
Bank indebtedness	-	934
Accounts payable and accrued liabilities	463,792	387,069
Advances from shareholder (note 5)	82,232	5,789
Advances from related corporation (note 5)	6,218	
Loans payable (note 6)	<u>233,743</u>	<u>120,975</u>
	<u>785,985</u>	<u>514,767</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 7)	13,686,782	13,686,782
COMMON SHARES TO BE ISSUED (note 7)	423,000	-
DEFICIT	<u>(12,231,343)</u>	<u>(11,846,017)</u>
	<u>1,878,439</u>	<u>1,840,765</u>
	<u>2,664,424</u>	<u>2,355,532</u>

APPROVED ON BEHALF OF THE BOARD

Signed "James Brady", Director

Signed "Andrew McQuire", Director

CROWFLIGHT MINERALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2002

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	2002 \$	2001 \$
EXPENSES		
Salaries and benefits	40,372	44,761
Office and general	81,700	52,140
Shareholders' expenses	20,756	25,812
Promotion	9,403	22,182
Professional fees	29,505	37,989
Interest and bank charges	18,979	20,288
Amortization	1,346	1,346
(Gain) on foreign exchange	<u>(603)</u>	<u>(846)</u>
Total Expenses	<u>201,458</u>	<u>203,672</u>
Loss before the undernoted	201,458	203,672
Write-down of interest in mineral properties	<u>183,868</u>	<u>218,199</u>
NET LOSS FOR THE YEAR	385,326	421,871
DEFICIT , beginning of year	<u>11,846,017</u>	<u>11,424,146</u>
DEFICIT , end of year	<u>12,231,343</u>	<u>11,846,017</u>
Loss per share – Basic (note 8)	<u>(0.017)</u>	<u>(0.019)</u>

See Accompanying Notes to Consolidated Financial Statements

CROWFLIGHT MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

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	2002 \$	2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the year	(385,326)	(421,871)
Charges to income not involving cash:		
Amortization	1,346	1,346
Write-down of exploration expenditures	<u>183,868</u>	<u>218,199</u>
	<u>(200,112)</u>	<u>(202,326)</u>
Changes in non-cash working capital balances:		
Decrease (increase) in sundry receivables	21,608	81,943
Increase in accounts payable	76,723	152,224
Increase in advances from related corporation	86,896	28,412
Decrease (increase) in prepaid expenses	(29,417)	7,460
Increase in advances from shareholder	<u>76,443</u>	<u>5,589</u>
	<u>232,253</u>	<u>275,628</u>
Net cash flows in operating activities	<u>32,141</u>	<u>73,302</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in loans payable	112,768	120,975
Common shares issued for cash	-	80,000
Common shares to be issued	<u>423,000</u>	<u>-</u>
Net cash flows from financing activities	<u>535,768</u>	<u>200,975</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest in mineral properties	<u>(145,139)</u>	<u>(551,641)</u>
	<u>(145,139)</u>	<u>(551,641)</u>
(Decrease) in cash	(422,770)	(277,364)
CASH (BANK INDEBTEDNESS), beginning of year	<u>(934)</u>	<u>276,430</u>
CASH (BANK INDEBTEDNESS), end of year	<u>421,836</u>	<u>(934)</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common shares issued for interest in mineral Properties	<u>-</u>	<u>139,000</u>

See Accompanying Notes to Consolidated Financial Statements

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is in the business of acquiring and developing mineral properties. There has been no determination whether properties held contain ore reserves which are economically recoverable. The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the mineral claims, the ability to obtain necessary financing to complete development, and upon future profitable production or proceeds from disposition.

These consolidated financial statements have been prepared on a going concern basis. The Company has a working capital deficiency of \$331,118 as at December 31, 2002 (\$408,867 – 2001) and accumulated losses of \$12,231,343 (\$11,846,017– 2001) since inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with generally accepted accounting principles in Canada and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant:

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiary, Crowflight Minerals Ireland Limited.

Mineral Properties

The cost of mineral properties and related exploration expenditures are deferred until the properties to which they relate are placed into production, sold or allowed to lapse. These costs will be amortized over the estimated useful life of the properties following commencement of production or written off if the properties are sold or allowed to lapse. The Company does not accrue future costs to keep the properties in good standing. Administrative expenditures are charged to operations as incurred.

The Company reviews its mineral properties on an annual basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. In reviewing its mineral properties, the Company estimates the future cash flows expected to result from

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

each asset and its eventual disposition. If the sum of the undiscounted, expected future cash flow is less than the carrying value of the asset, an impairment loss is recognized. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write-down.

Capital Assets

Capital assets are recorded at cost. Amortization is made on the Company's computer equipment using the straight-line basis over three years.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenues and expenses during the reporting period. Actual results could differ from those reported. Management believes that the estimates are reasonable.

Income Taxes

The Company has applied the new recommendations from the CICA regarding accounting for income taxes. According to these new recommendations, the Company accounts for and measures future tax assets and liabilities in accordance with the liability method instead of the deferral method used in the past.

Under the asset and liability method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Stock-Based Compensation Plan

The Company has a stock-based compensation plan, which is described in Note 7 (c). No compensation expense is recognized when stock or stock options are issued. Any consideration paid by the holder of the option on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from the option holder, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

3. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2002</u>	<u>Net 2001</u>
	\$	\$	\$	\$
Computer equipment	<u>4,487</u>	<u>3,365</u>	<u>1,122</u>	<u>2,468</u>

4. INTEREST IN MINERAL PROPERTIES

	<u>2002</u>	<u>2001</u>
	\$	\$
<u>Sierra Leone, West Africa</u>		
Casierra Diamond Syndicate	1	1
<u>Canada</u>		
Sudbury, Ontario	<u>2,208,434</u>	<u>2,247,164</u>
	<u>2,208,435</u>	<u>2,247,164</u>

Casierra Diamond Syndicate

The Company acquired a 33.3% interest in the Casierra Diamond Syndicate by the issue of 3,754,505 trading shares and 1,897,194 escrow shares of the Company at \$0.76 per share in 1995. The escrow shares can be earned out of escrow based on the achievement of certain performance conditions over a six year period and, pursuant to these provisions, 873,890 shares were released from escrow from 1996 to 2000. During 1999, the Company had written down its interest in this project to \$1 because of political turmoil in Sierra Leone.

4. INTEREST IN MINERAL PROPERTIES (cont'd)

Sudbury, Ontario, Canada Properties

The Company acquired mineral properties and conducted mineral exploration within certain portions of the properties in Sudbury, Ontario area during 2002 and 2001. The properties are as follows:

(a) Kidd Property

The property covers approximately two kilometers of the Worthington Off Dyke and consists of about 272 hectares. The Company acquired the property for \$150,000 cash, issue of 1,000,000 common shares, and 1,000,000 common share purchase warrants for a two year period exercisable at \$0.45 per share in the first year and \$0.55 per share if exercised in the second year and a 3% net smelter royalty. The Company can purchase up to 50% of this royalty for \$1.25 million up to the time when commercial production commences and there is a \$50,000 advance royalty payments payable semi-annually, beginning January 31, 2001 (\$50,000 paid in June 2001, January and July 2002 and January 2003).

(b) Foy Offset Properties

The Company holds 100% interest in ground consisting of 1,824 hectares (114 units). The Company issued 200,000 common shares and has granted a net smelter royalty of 1%, capped at \$1.0 million. During the year ended December 31, 2002, the Company abandoned its interest in the property and \$146,215 in acquisition and exploration costs were written off.

(c) Hess Properties

The Company holds 100% interest in 1,216 hectares (76 units) acquired for 20,000 common shares plus staking costs and has granted a net smelter royalty of 1.5%, capped at \$1.0 million. During the year ended December 31, 2002, the Company abandoned its interest in the property and \$12,013 in acquisition and exploration costs were written off.

(d) Hicks Property

The Company acquired an option to purchase 100% of the Hicks claims (64 hectares patented property) expiring June 6, 2002 for 10,000 common shares and a net smelter royalty of 1%, capped at \$1.0 million. During the year ended December 31, 2002, the Company abandoned its interest in the property and \$20,893 in acquisition and exploration costs were written off.

4. INTEREST IN MINERAL PROPERTIES (cont'd)

(e) Airport Property

The Company has entered into an option agreement to earn an undivided 50% interest in the 46 claim Airport Property in the Sudbury Mining Camp. The total consideration is as follows:

- (i) Cash payments totalling \$100,000 of which \$25,000 was paid in 2000, \$75,000 was paid in 2001 and the balance payable by July 3, 2002;
- (ii) Issue of 200,000 common shares of which 50,000 shares were issued in 2000, 150,000 shares issued in 2001 and the balance to be issued by July 3, 2002;
- (iii) Exploration expenditure of \$1.0 million over a two year period, \$400,000 by July 3, 2001 and \$600,000 by July 3, 2002.

(f) Post Creek Property

The Company acquired an option to purchase 100% of Post Creek Property consisting of 3,728 hectares (233 units) for \$20,000 cash and the issue of 100,000 common shares in 2000. During the year ended December 31, 2001, the Company abandoned its interest in the property and \$94,695 in acquisition and exploration costs were written off.

(g) Levack Claims

The Company owns an 80% interest in the Levack claims and a two year option to purchase the remaining 20% if the existence of platinum group metals is confirmed as a result of the exploration program to be completed by April 2002. The property consists of approximately 448 hectares (28 units). During the year ended December 31, 2001, the Company abandoned its interest in the claims.

(h) United Reef

The Company has entered into an option agreement to earn 50% interest in 145 hectares (12 units) of United Reef property. Under the option agreement, the Company must make the following payments and share issuance, over a four year period from November 2000.

- (i) Issue of 2,000,000 common shares of the Company
- (ii) Exploration expenditures of \$550,000.

The Company issued 50,000 common shares in 2001. During the year ended December 31, 2001, the Company abandoned its interest in the property and \$48,093 in acquisitions and exploration costs were written off.

5. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with related parties:

	<u>2002</u>	<u>2001</u>
	\$	\$
Rent received from related corporation	15,173	14,289
Consultant fees paid to the officer and director of the Company	24,000	48,500

The advances from shareholder and from related corporation are unsecured, non-interest bearing, with no fixed terms of repayment.

6. LOANS PAYABLE

The loans payable consist of the following:

<u>Due Date</u>	<u>Interest Rate</u> <u>Per Annum</u>	<u>Amount</u> <u>\$</u>	<u>Interest Paid</u>
On Demand	NIL	30,000	-
On Demand	12%	50,230	230
On Demand	NIL	50,000	-
On Demand	12%	<u>103,513</u>	<u>15,936</u>
		<u>233,743</u>	<u>16,166</u>

7. SHARE CAPITAL

(a) Common Shares

Authorized:

- 100,000,000 common shares without par values
- 100,000,000 class A preference shares with a part value of \$10 each. Issuable in series, cumulative dividends
- 100,000,000 class B preference shares with a part value of \$50 each, issuable in series, cumulative dividends

Issued:

22,608,283 Common shares	<u>\$13,686,782</u>
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7. SHARE CAPITAL (CONT'D)

	<u>Common Shares</u> #	<u>Amount</u> \$
Transactions during the year are as follows:		
Balance, January 1, 2001	21,128,283	13,467,782
Warrants exercised	200,000	80,000
Issued for interests in mineral properties	<u>280,000</u>	<u>139,000</u>
Balance, December 31, 2002 and 2001	<u>22,608,283</u>	<u>13,686,782</u>
Common shares to be issued	<u>2,115,000</u>	<u>423,000</u>

(b) Warrants

On December 31, 2002, the Company negotiated a private placement agreement for the issue of 2,115,000 flow through units at \$0.20 per unit (\$423,000 common shares to be issued). Each unit includes one common share and 0.50 share purchase warrants granting the right to acquire one additional share of the Company at a price of \$0.25 per share for each warrant until December 31, 2003 and at a price of \$0.30 per share for each warrant until December 31, 2004.

(c) Stock Option Plan

The Company has approved the issuance of up to 20% of the Company's outstanding shares under a stock option plan in which its directors, officers employees and consultants are eligible to participate under this plan. Options to purchase Common shares have been granted as follows:

	<u>Number Of Shares</u> #	<u>Exercise Price</u> \$	<u>Expiry Dates</u> \$
Directors	1,200,000	0.20	November 20, 2005
Consultants and Employee	<u>800,000</u>	0.20	November 20, 2005
	<u>2,000,000</u>		

8. LOSS PER SHARE

The existence of warrants and stock options affects the calculation of loss per share on a fully diluted basis. As the effect of this dilution is to reduce the reported loss per share, fully diluted loss per share has not been disclosed.

9. INCOME TAXES

The loss carry forward for tax purposes that has not been recognized in these financial statements is \$1,325,000 (\$1,474,000 in 2001). The losses will expire as follows:

Fiscal year	2003	425,000
	2004	45,000
	2005	42,000
	2006	163,000
	2007	250,000
	2008	200,000
	2009	<u>200,000</u>
		<u>\$1,325,000</u>

10. FINANCIAL INSTRUMENTS

The carrying amounts for cash and sundry receivables, accounts payable and accrued liabilities and advances from related parties on the balance sheets approximate fair value because of the limited term of these instruments.

Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

11. COMMITMENT

The Company is committed to annual minimum rental payments of \$9,090 under a long term lease for premises, expiring on May 14, 2004. In addition to the minimum rent, the Company is responsible for its proportionate share of operating costs, taxes and utilities which, for the 2002 year, were \$10,052 (2001 - \$10,596). The Company has rented part of the space to related companies (see note 5).

12. CONTINGENCIES

The Company, together with its president, are defendants in two law suits filed in the Ontario Superior Court of Justice. In one the plaintiff is claiming damages of 3,370,000 shares of the Company and royalties on various properties acquired by the Company in Sudbury, Ontario. The Company is unable to ascertain the amount of liability, if any, of the above matter but believes that this action, which the Company and its president intend to vigorously defend, is frivolous and of no merit and has had a substantial negative impact on the business of the Company and its ability to adequately fund its ongoing programs. In the other the plaintiff is claiming damages of \$200,000 and the termination of the option agreement on the Airport Property. The Company is unable to ascertain the amount of liability, if any, of the above matter but believes that this action, which the Company and its president intend to vigorously defend, is frivolous and of no merit.

Trade creditors have obtained default judgment against the Company in the amount of \$83,863. The Company does not dispute these claims.