



Interim Financial Statements of

**CHAPLEAU RESOURCES LTD.**

February 15, 2003



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## **REVIEW ENGAGEMENT REPORT TO THE DIRECTORS**

We have reviewed the balance sheet of Chapleau Resources Ltd. as at February 15, 2003 and the interim statements of operations, deficit and cash flows for the three months then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

### **MAKI STAUDT**

Chartered Accountants

Cranbrook, B.C.

April 8, 2003

# CHAPLEAU RESOURCES LTD.

Balance Sheet – Interim  
(Unaudited)

Schedule “A”

As at February 15, 2003, with comparative figures for 2002

	February 15, 2003	November 15, 2002
<b>Assets</b>		
Current assets:		
Cash and term deposits	\$ 1,235,393	\$ 160,646
Marketable securities at lower of cost or market value (notes 2 and 3)	1,743,279	1,743,279
Accounts receivable	39,867	7,119
Receivable from directors (note 3)	756,780	744,280
	<u>3,775,319</u>	<u>2,655,324</u>
Reclamation Bond	25,000	25,000
Mineral properties and deferred exploration and development costs (note 4)	4,445,237	3,767,817
Equipment (note 5)	5,472	5,793
	<u>\$ 8,251,028</u>	<u>\$ 6,453,934</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 121,697	\$ 60,793
Deposit on subscriptions	754,500	-
	<u>876,197</u>	<u>60,793</u>
Shareholders' equity:		
Capital stock (note 6):		
Authorized:		
150,000,000 Common shares without par value		
Issued:		
63,780,284 Common shares (2002 – 60,370,284)	26,013,315	24,743,815
Deficit	(18,638,484)	(18,350,674)
	<u>7,374,831</u>	<u>6,393,141</u>
	<u>\$ 8,251,028</u>	<u>\$ 6,453,934</u>

Contingent liability (note 12)  
Subsequent event (note 13)

See accompanying notes to interim financial statements.

On behalf of the Board:

\_\_\_\_\_  
“Eric Wiltzen” President/Director

\_\_\_\_\_  
“Jim Stypula” CEO/Director

# CHAPLEAU RESOURCES LTD.

Statement of Operations and Deficit - Interim  
(Unaudited)

Three months ended February 15, 2003, with comparative figures for 2002

	Three month period ended February 15, 2003 being cumulative current year to date	Three month period ended February 15, 2002 being cumulative prior year to date
General and administrative expenses:		
Amortization	\$ 321	\$ 418
Exploration (note 4)	1,895	49,882
Management fees	45,000	20,000
Office	9,425	9,184
Professional fees	6,164	6,306
Rent	2,964	4,446
Transfer agent and filing fees	13,413	6,168
Travel	20,242	8,608
Wages and employee benefits	38,688	7,312
Loss before other expenses	138,112	112,324
Other expenses (income):		
Deferred exploration and development costs written off (note 4)	140,695	-
Interest income	(33)	(4)
Foreign exchange loss	9,036	1,759
Loss for the period	287,810	114,079
Deficit, beginning of period	18,350,674	15,752,098
Deficit, end of period	\$18,638,484	\$15,866,177
Basic loss per share	\$ 0.005	\$ 0.002
Fully diluted earnings per share	antidilutive	antidilutive

See accompanying notes to interim financial statements.

# CHAPLEAU RESOURCES LTD.

Statement of Cash Flows - Interim  
(Unaudited)

Three months ended February 15, 2003, with comparative figures for 2002

	Three month period ended February 15, 2003 being cumulative current year to date	Three month period ended February 15, 2002 being cumulative prior year to date
Cash provided by (used in):		
Operations:		
Loss for the period	\$ (287,810)	\$ (114,079)
Amortization which does not involve cash	321	418
Mineral properties and deferred exploration and development costs written off (note 4)	140,695	-
Change in non-cash operating working capital:		
Accounts receivable	(32,748)	(7,226)
Subscriptions receivable	-	(42,500)
Receivable from directors	(12,500)	49,509
Accounts payable	60,904	(24,288)
Prepaid expenses	-	335
	(131,138)	(137,831)
Financing:		
Deposit on subscriptions	754,500	-
Capital stock issued	1,269,500	728,250
	2,024,000	728,250
Investments:		
Mineral properties and deferred exploration and development costs (note 4)	(818,115)	(240,505)
Increase in cash	1,074,747	349,914
Cash and term deposits, beginning of period	160,646	143,435
Cash and term deposits, end of period	\$ 1,235,393	\$ 493,349

See accompanying notes to interim financial statements.

# CHAPLEAU RESOURCES LTD.

Notes to Interim Financial Statements  
(Unaudited)

Period ended February 15, 2003

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Chapleau Resources Ltd. is engaged in the resource industry at the exploration stage. At the exploration stage, a resource company has not determined whether its properties contain reserves that are economically recoverable, nor has it achieved significant revenue from production.

These financial statements are prepared on the basis of accounting principles applicable to a "going concern", which assume that the company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The company's continued existence is dependent upon raising additional financing, the discovery of economically recoverable ore reserve in its properties and the attainment of profitable operations.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, then adjustments would be required in the carrying value of assets.

## **1. Significant accounting policies:**

These interim financial statements follow the same accounting policies and methods of their application as the November 15, 2002 audited financial statements, except as described below.

Effective November 16, 2002, the company adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This Section defines recognition, measurement and disclosure standards for stock-based compensation to non-employees and employees. Under these new standards, all stock-based payments made to non-employees must be systematically accounted for in the enterprise's financial statements. These standards define a fair value-based method of accounting and encourage entities to adopt this method of accounting for its stock-based employee compensation plans. Under this method, compensation cost should be measured at the grant date based on the fair value of the award and should be recognized over the related service period. An entity that does not adopt the fair value method of accounting for its awards granted to employees is required to include in its financial statements pro forma disclosures of net earnings and earnings per share as if the fair value method of accounting had been applied. The company has chosen the latter alternative and the required pro forma information is presented in Note 7.

# CHAPLEAU RESOURCES LTD.

Notes to Interim Financial Statements, page 2  
(Unaudited)

## 2. Marketable securities:

	2003		2002	
	Cost	Market Value	Cost	Market Value
Far West Mining Ltd. (2003 - 4,928,200; 2002 - 4,928,200)	\$ 1,979,412	\$ 1,059,563	\$ 1,979,412	\$ 2,020,562
Bakbone Software Inc. (2003 - 10,500; 2002 - 10,500)	18,409	11,550	18,409	9,240

The Far West Mining Ltd. securities continue to be carried at the market value as at November 15, 2001.

## 3. Related parties:

### (a) Receivable from directors:

The directors have each signed promissory notes. The notes are non-interest bearing and payable on 30 days demand.

### (b) Investment in Far West Mining Ltd.

The company owns 4,928,200 common shares of Far West Mining Ltd., representing a 20% interest in Far West Mining Ltd. This investment has been recorded as a marketable security due to management's intention to dispose of this investment.

## 4. Mineral properties and deferred exploration and development costs:

Property	Balance November 15, 2002	Option payment during the period	Additions during the period	Written-off during the period	Balance February 15, 2003
Cruz, BC	\$ 540,885	\$ -	\$ 2,870	\$ -	\$ 543,755
Indian Ranch, NV	3,126,948	-	14,671	-	3,141,619
Kougarok, AK	-	77,494	63,201	140,695	-
Quartz Creek, BC	40,840	-	6,188	-	47,028
Bar 19, BC	28,579	18,750	385,484	-	432,813
Zinger, BC	1,271	20,000	12,443	-	33,714
Super Group					
Gold, BC	6,954	140,000	12,121	-	159,075
Cranbrook					
Gold, BC	22,340	5,500	59,393	-	87,233
	\$ 3,767,817	\$ 261,744	\$ 556,371	\$ 140,695	\$ 4,445,237

# CHAPLEAU RESOURCES LTD.

Notes to Interim Financial Statements, page 3  
(Unaudited)

## 4. Mineral properties and deferred exploration and development costs (continued):

Exploration:

During the period ended February 15, 2003, the company expensed \$1,895 (2002 - \$149,194) of exploration costs related to geological and geochemical work performed on mineral claims that have not been pursued.

Mineral properties and deferred exploration and development costs-additions:

Additions during the period	Bar 19, BC	Cranbrook Gold, BC	Zinger, BC	Other	2003	2002
Drilling	\$ 353,434	\$ 2,886	\$ 1,987	\$ 2,886	\$ 361,193	\$ 763,922
Geochemical	-	-	76	-	76	12,427
Geology	31,814	8,761	10,143	78,387	129,105	186,285
Geophysics	237	237	237	237	948	-
Staking	-	44,008	-	-	44,008	54,975
Tenure payments	-	3,500	-	17,541	21,041	571,506
	\$ 385,485	\$59,392	\$12,443	\$ 99,051	\$ 556,371	\$1,589,115

### Bar 19, British Columbia:

The company entered into an option agreement dated October 21, 2002 to acquire a 70% interest in the Bar 19 mineral claim by agreeing to; issue 175,000 shares of capital stock, make cash payments of \$180,000 to the Optionor, and spend a total of \$700,000 on the properties at various dates prior to October 21, 2006. The company shall at any time have the right to terminate this agreement without liability therefore by giving written notice of such termination to the Optionor.

### Zinger, British Columbia:

The company entered into an option agreement dated December 31, 2002 to acquire a 100% interest in the mineral claims collectively know as the Zinger mineral claim by agreeing to; issue 500,000 shares of capital stock, make cash payments of \$50,000 to the Optionor, and spend a total of \$1,000,000 on the properties at various dates prior to November 12, 2006. The company shall at any time have the right to terminate this agreement without liability therefore by giving written notice of such termination to the Optionor.

# CHAPLEAU RESOURCES LTD.

Notes to Interim Financial Statements, page 4  
(Unaudited)

## 4. Mineral properties and deferred exploration and development costs (continued):

### Super Group Gold, British Columbia:

The company entered into an option agreement dated December 30, 2002 to acquire an undivided 90% interest in the mineral claims collectively know as the Super Group Gold mineral claim by agreeing to; issue 2,380,000 shares of capital stock, make cash payments of \$140,000 to the Optionor, and spend a total of \$2,000,000 on the properties at various dates prior to December 30, 2005. The company shall at any time have the right to terminate this agreement without liability therefore by giving written notice of such termination to the Optionor.

### Cranbrook Gold, British Columbia:

The company entered into an option agreement dated December 4, 2002 to acquire a 100% interest in the mineral claims collectively know as the Cranbrook Gold mineral claim by agreeing to; issue 10,000 shares of capital stock, make cash payments of \$3,500 to the Optionor. Both conditions had been met prior to February 15, 2003.

## 5. Equipment:

			2003	2002
	Cost	Accumulated Amortization	Net	Net
Equipment	\$ 36,388	\$ 30,916	\$ 5,472	\$ 5,793

## 6. Capital stock:

### (a) Common shares issued and outstanding:

	Number of Shares	Amount
Balance, November 15, 2001	54,072,284	\$ 22,420,615
Issued during year ended November 15, 2002:		
For cash	6,283,000	2,378,200
Share issue costs	15,000	(55,000)
Balance, November 15, 2002	60,370,284	24,743,815
Issued during the period ended February 15, 2003:		
For cash	3,375,000	1,250,250
For properties	35,000	19,250
Balance, February 15, 2003	63,780,284	\$ 26,013,315

# CHAPLEAU RESOURCES LTD.

Notes to Interim Financial Statements, page 5  
(Unaudited)

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## 6. Capital stock (continued):

### (b) Warrants:

There are 7,883,333 warrants outstanding at February 15, 2003. 7,883,333 common shares have been reserved for the exercise of these warrants.

Number of Warrants Outstanding	Exercise Price	Expiry Date
5,000,000	\$ 0.40 - 0.50	November 4, 2004
250,000	\$ 0.50 - 0.65	August 22, 2004
1,400,000	\$ 0.60	June 28, 2004
1,233,333	\$ 0.60	August 15, 2003
7,883,333		

## 7. Stock-Based compensation plan:

At February 15, 2003, the company has one stock-based compensation plan, which is described below;

### Fixed Stock Option Plan

The company has one fixed stock option plan. Under the 1997 Stock Option Plan, amendment no. 4, the company may grant options to its directors, officers and Service Providers for up to 11,130,756 shares of common stock. The plan requires that a total of 11,130,756 common shares be reserved for allotment and issuance upon exercise of stock options granted under the Plan. Options to vest as to 25% upon regulatory approval and 12-1/2% every quarter thereafter. Under the Plan, the exercise price of each option shall not be less than the market price on the Grant date and an option's maximum term is 10 years.

# CHAPLEAU RESOURCES LTD.

Notes to Interim Financial Statements, page 6  
(Unaudited)

## 7. Stock-Based compensation plan (continued):

### (a) Stock options:

Incentive stock options for directors, officers and Service Providers are outstanding at February 15, 2003, as follows:

Number of Options	Price per Option	Expiry Date
1,405,000	\$ 0.50	February 2003
70,000	\$ 0.50	October 2003
475,000	\$ 0.51	January 2004
722,200	\$ 0.52	January 2004
400,000	\$ 0.65	January 2006
917,500	\$ 0.30	May 2006
500,000	\$ 0.30	August 2006
200,000	\$ 0.40	September 2006
1,175,000	\$ 0.30	October 2006
500,000	\$ 0.50	May 2007
3,640,000	\$ 0.26	November 2007
100,000	\$ 0.52	December 2007
500,000	\$ 0.65	January 2008
596,398	\$ 0.51	April 2009
525,000	\$ 0.51	April 2009
11,726,098		

11,726,098 common shares have been reserved for the exercise of these options.

	Number of Options
Balance, November 15, 2002	11,126,098
Granted	600,000
Exercised	-
Expired	-
Cancelled	-
Balance, February 15, 2003	11,726,098

# CHAPLEAU RESOURCES LTD.

Notes to Interim Financial Statements, page 7  
(Unaudited)

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## 7. Stock-Based compensation plan (continued):

### (b) Stock option compensation adjustment:

The company applies the intrinsic value based method of accounting for stock-based compensation awards to employees and accordingly no compensation cost is recognized. Had stock-based compensation for 600,000 options granted to employees under the Plan since November 16, 2002 been determined on the basis of fair value at the date of grant in accordance with the fair value method of accounting for stock-based compensation, the company's pro forma net loss and loss per share for the three months ended February 15, 2003 would have been as follows:

	Loss	Loss per share
As reported	\$ 287,810	\$ 0.005
Pro forma	\$ 590,335	\$ 0.009

For purposes of the above calculations, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants: dividend yield of 0%, risk-free interest rate of 4.5%, the option is certain to finish in the money, and expected life of 5 years.

## 8. List of directors:

Eric Wiltzen; Jim Stypula; Allan Rella; Robert Hunziker; Serguei Soloviev and Eric Friedland.

## 9. Management fees:

During the period, management fees of \$45,000 were paid to two directors.

## 10. Financial instruments:

The company's financial instruments consist of all current assets, reclamation bond, accounts payable and accrued liabilities and deposit on subscriptions. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments

Fair value of financial instruments:

The carrying value of financial instruments approximates their estimated fair value unless otherwise disclosed in the financial statements.

# CHAPLEAU RESOURCES LTD.

Notes to Interim Financial Statements, page 8  
(Unaudited)

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## 11. Earnings per share:

The Canadian Institute of Chartered Accountants has approved a new standard for computation, presentation and disclosure of earnings per share. Effective November 16, 2001, the company retroactively adopted the new standard. Under the new standard, the treasury stock method is used instead of the imputed earnings method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the diluted calculations. Adopting the new standard for computation, presentation and disclosure of earnings per share resulted in no change in diluted earnings per share for any of the reporting periods.

## 12. Contingent liability:

The company has been named the defendant in a lawsuit and a claim against the company has been filed in the amount of \$242,000. In the opinion of management, these matters are without substantial merit and no provision has been made for them in the accounts. However, should any loss result from the resolution of this claim, such loss would be accounted for as a current expenditure.

## 13. Subsequent events:

On April 1, 2003, the company and White Knight Resources Ltd. announced that they have executed an option-joint venture agreement with Placer Dome U.S. Inc. on their Indian Ranch property located in Eureka County, Nevada. Placer Dome U.S. Inc. may earn a 60% interest in Indian Ranch by incurring a minimum work expenditures of US\$2.0 million over a four year period and reimbursing the companies US\$40,000 for their 2002 claim filing costs.

On April 1, 2003, the company announced that a private placement of 1,020,000 units of capital stock at a price of \$1.00 per unit and 737,500 warrants exercisable up to April 1, 2004 at a price of \$1.45 per unit. All of the shares, warrants and any shares issued upon exercise of the warrants are subject to a hold period and may not be traded in British Columbia until August 2, 2003 except as permitted by the Securities Act (British Columbia) and the rules made there under and the TSX Venture Exchange.

## 14. Comparative figures:

Certain comparative figures have been reclassified to conform to the current period's presentation.