

STARFIELD RESOURCES INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

AUDITORS' REPORT

To The Shareholders of Starfield Resources Inc.:

We have audited the balance sheet of Starfield Resources Inc. (An Exploration Stage Company) as at February 28, 2002 and 2001 and the statements of loss and deficit and cash flow for the years ended February 28, 2002, 2001 and February 29, 2000. 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.

With respect to the financial statements for the year ended February 28, 2002 and 2001, we conducted our audit in accordance with Canadian generally accepted auditing standards and United States generally accepted auditing standards. With respect to the financial statements for the year February 29, 2000, 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 February 28, 2002 and 2001 and the results of its operations and cash flow for the years ended February 28, 2002, 2001 and February 29, 2000 in accordance with Canadian generally accepted accounting principles which differ in certain respects from generally accepted accounting principles in the United States (refer to Note 13). We report that, in our opinion, these principles have been applied on a consistent basis.

“Loewen, Stronach & Co.”

Chartered Accountants

Vancouver, BC, Canada
May 22, 2002

Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Conflict

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the company's ability to continue as a going concern, such as described in Note 1 (b) to the financial statements. Our report to the shareholders dated May 22, 2002 is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditors' report when these are adequately disclosed in the financial statements.

“Loewen, Stronach & Co.”

Chartered Accountants

Vancouver, BC, Canada
May 22, 2002

STARFIELD RESOURCES INC.

BALANCE SHEET

FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

| | 2002 | 2001 |
|---|--------------------|--------------------|
| | \$ | \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | 972,746 | 440,489 |
| Accounts receivable | 22,427 | 62,992 |
| Refundable deposits | 35,000 | - |
| Prepaid expenses | 57,245 | 110,000 |
| | <u>1,087,418</u> | <u>613,481</u> |
| MINERAL PROPERTIES (Note 3) | 14,820,574 | 9,136,616 |
| CAPITAL ASSETS (Note 4) | 50,131 | 63,188 |
| | <u>15,958,123</u> | <u>9,813,285</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 281,848 | 809,940 |
| Large corporate capital tax payable | 12,679 | - |
| Current portion of obligation under capital leases (Note 5) | 15,683 | 15,683 |
| | <u>310,210</u> | <u>825,623</u> |
| OBLIGATION UNDER CAPITAL LEASES (Note 5) | 12,998 | 28,681 |
| FUTURE INCOME TAXES (Note 6) | 621,181 | - |
| | <u>944,389</u> | <u>854,304</u> |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL (Note 7) | 18,588,306 | 11,143,329 |
| DEFICIT | <u>(3,574,572)</u> | <u>(2,184,348)</u> |
| | <u>15,013,734</u> | <u>8,958,981</u> |
| | <u>15,958,123</u> | <u>9,813,285</u> |

APPROVED BY THE DIRECTORS:

"Glen Indra"
Glen Indra, Director

"Glen MacDonald"
Glen MacDonald, Director

See accompanying notes to financial statements

STARFIELD RESOURCES INC.
STATEMENT OF LOSS AND DEFICIT
FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

| | 2002 | 2001 | 2000 |
|-------------------------------------|--------------------|--------------------|--------------------|
| | \$ | \$ | \$ |
| EXPENSES | | | |
| Consulting fees | 320,638 | 176,943 | 78,450 |
| Travel and conferences | 247,932 | 87,091 | 60,068 |
| Rent and office services | 162,710 | 106,411 | 68,711 |
| Advertising and promotion | 158,625 | 127,102 | 38,896 |
| Accounting and legal | 115,414 | 98,416 | 96,694 |
| Computer | 109,944 | 51,684 | 22,602 |
| Transfer and regulatory fees | 73,750 | 58,305 | 31,974 |
| Office | 62,575 | 54,628 | 43,336 |
| Management fees | 48,000 | 47,500 | 42,000 |
| Investor relations | 36,000 | 36,000 | 40,680 |
| Telephone | 18,426 | 12,342 | 17,824 |
| Amortization | 16,057 | 13,140 | 4,080 |
| Interest on capital lease | 13,053 | 8,107 | 1,516 |
| Interest and bank charges | (2,765) | 23,070 | 1,186 |
| Interest income | (2,814) | (2,163) | (904) |
| LOSS BEFORE THE FOLLOWING: | (1,377,545) | (898,576) | (547,113) |
| Write-off of mineral claims | - | - | (271,010) |
| NET LOSS BEFORE INCOME TAXES | (1,377,545) | (898,576) | (818,123) |
| Large corporate capital tax | 12,679 | - | - |
| NET LOSS | (1,390,224) | (898,576) | (818,123) |
| DEFICIT – BEGINNING | (2,184,348) | (1,285,772) | (467,649) |
| DEFICIT – ENDING | (3,574,572) | (2,184,348) | (1,285,772) |
| LOSS PER SHARE | 0.04 | 0.04 | 0.06 |

See accompanying notes to financial statements

STARFIELD RESOURCES INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

| | 2002 \$ | 2001 \$ | 2000 \$ |
|---|--------------------|--------------------|--------------------|
| OPERATING ACTIVITIES | | | |
| Loss | (1,390,224) | (898,576) | (818,123) |
| Add non cash items: | | | |
| Amortization | 16,057 | 13,140 | 4,080 |
| Write-off of mineral claims | - | - | 271,010 |
| | <u>(1,374,167)</u> | <u>(885,436)</u> | <u>(543,033)</u> |
| Cash provided by changes in non-cash | | | |
| Working capital items: | | | |
| Accounts receivable | 40,565 | 8,549 | (47,554) |
| Refundable deposits | (35,000) | 15,863 | 19,476 |
| Prepaid expenses | 52,755 | (110,000) | 1,683 |
| Loan Payable | - | - | 2,200 |
| Large corporate capital tax payable | 12,679 | - | - |
| Accounts payable and accrued liabilities | (528,092) | 464,443 | 298,991 |
| | <u>(1,831,260)</u> | <u>(506,581)</u> | <u>(268,237)</u> |
| INVESTING ACTIVITIES | | | |
| Mineral properties | (5,683,958) | (5,465,278) | (1,941,578) |
| Acquisition of capital assets | (3,000) | (13,669) | (5,350) |
| | <u>(5,686,958)</u> | <u>(5,478,947)</u> | <u>(1,946,928)</u> |
| FINANCING ACTIVITIES | | | |
| Repayment of capital leases obligation | (15,683) | (14,296) | (2,730) |
| Loans payable (repayments) | - | - | (19,234) |
| Issuance of shares, units and special warrants net of issue costs | 8,066,158 | 6,179,178 | 2,493,850 |
| | <u>8,050,475</u> | <u>6,164,882</u> | <u>2,471,886</u> |
| INCREASE IN CASH | 532,257 | 179,354 | 256,721 |
| CASH – beginning | 440,489 | 261,135 | 4,414 |
| CASH – ending | <u>972,746</u> | <u>440,489</u> | <u>261,135</u> |
| Notes to statement of cash flow: | | | |
| 1) Interest and income taxes paid | | | |
| Interest paid | 10,288 | 31,177 | 2,702 |

See accompanying notes to financial statements

Income taxes paid

- - -

See accompanying notes to financial statements

STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(Exploration Stage Company)
(Presented in Canadian Dollars)

Note 1 OPERATIONS

a) Incorporation

The Company was incorporated under the Business Corporations Act (Alberta, Canada) on April 22, 1994 and its activity is engaging in the exploration and development of mineral properties.

b) Going Concern

These financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

c) Nature of Operations

The Company is in the process of exploring certain mineral properties. The underlying value of the mineral properties and related deferred costs is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of these properties, and upon profitable future production. Currently, the Company has no producing mineral properties. The Company plans to meet anticipated financing needs in connection with its obligations by the exercise of stock options and through private placements and underwritings.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Commitments and Contingencies

The Company's activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. The Company believes its explorations comply in all material respects with all applicable laws and regulations.

STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)

(Presented in Canadian Dollars)

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Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Income Taxes

The Company has adopted the new recommendations of the Canadian Institute of Chartered Accountants (the "CICA") regarding accounting for income taxes, which requires the use of asset and liability method.

Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statements carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in rates is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

c) Mineral Properties

The cost of each mineral property, or interest therein, together with exploration costs are capitalized until commercial production is established. If management determines that a project is not economically viable, the property and related deferred expenditures are written off.

The costs deferred at any time do not necessarily reflect present or future values. The ultimate recovery of such amounts depends on the discovery of economically recoverable reserves, successful commercial development of the related properties, availability of financing and future profitable production or proceeds from the disposition of the properties.

d) Capital Assets and Amortization

Capital assets are recorded at cost with amortization provided as follows:

| | |
|--------------------------------------|-------------------------|
| Office equipment under capital lease | 20% diminishing balance |
| Computers under capital lease | 30% diminishing balance |
| Computers | 30% diminishing balance |
| Office equipment | 20% diminishing balance |

In the year of acquisition only one-half the normal rate is applied.

STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

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Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Loss Per Share

Loss per share is determined using the treasury stock method on the weighted average number of shares outstanding during the year. All outstanding options, purchase warrants and units are anti-dilutive, and therefore have no effect on the determination of loss per share.

f) Stock-based Compensation Plans

The Company has a stock-based compensation plan, which is described in Note 7 a). No compensation expense is recognized for these plans when stock options are issued to employees, consultants or members of the Board of Directors. Any consideration paid by employees, consultants or members of the Board of Directors upon exercise of stock options is recorded as an increase to share capital.

Note 3 MINERAL PROPERTIES

| | 2002 | 2001 |
|-----------------------------------|-------------------|------------------|
| | \$ | \$ |
| Ferguson Lake claims | | |
| • Property acquisition deposit | 75,000 | 75,000 |
| • Treasury shares issued | 1,700,000 | 1,700,000 |
| • Annual advance royalty | 100,000 | 75,000 |
| • Exploration work ⁽¹⁾ | 12,945,574 | 7,286,616 |
| | <u>14,820,574</u> | <u>9,136,616</u> |

Under the terms of the purchase agreement, the Company earned a 100% interest in the property, subject to a 3% net smelter royalty (NSR) on mineral production, a 3% gross overriding royalty on diamond production and a \$25,000 annual advance royalty payment. The Company has the right to purchase 1% of the net smelter royalty NSR for \$1,000,000 up to 180 days after receipt of a positive feasibility study recommending commercial production.

STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)

(Presented in Canadian Dollars)

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Note 3 MINERAL PROPERTIES (continued)

⁽¹⁾ Deferred Exploration Work breakdown:

| | 2002 \$ | 2001 \$ |
|---------------------|-------------------|------------------|
| Balance – beginning | 7,286,616 | 1,846,338 |
| • Personnel | 1,097,361 | 985,821 |
| • Mobilization | 247,576 | 396,209 |
| • Analytical | 340,903 | 582,700 |
| • Camp Costs | 784,311 | 493,180 |
| • Air support | 1,499,530 | 1,524,028 |
| • Drilling | 1,689,277 | 1,458,340 |
| | <u>5,658,958</u> | <u>5,440,278</u> |
| Balance – ending | <u>12,945,574</u> | <u>7,286,616</u> |

Note 4 CAPITAL ASSETS

| | 2002 | | 2001 | |
|--------------------------------------|---------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| | \$ | \$ | \$ | \$ |
| Office equipment under capital lease | 40,798 | 17,298 | 23,500 | 29,374 |
| Computers under capital lease | 29,143 | 11,801 | 17,342 | 24,773 |
| Computers | 7,578 | 3,069 | 4,509 | 6,441 |
| Office equipment | 5,889 | 1,109 | 4,780 | 2,600 |
| | <u>83,408</u> | <u>33,277</u> | <u>50,131</u> | <u>63,188</u> |

STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

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Note 5 OBLIGATION UNDER CAPITAL LEASES

The Company has four lease agreements for computers and office equipment accounted for as capital leases. Current payments are \$2,061 monthly expiring April 2003 through June 2003.

The following is a schedule of future lease payments

| | 2002 | 2001 |
|---|----------|----------|
| | \$ | \$ |
| Total minimum lease payments | 39,853 | 64,581 |
| Less amount representing interest | (11,172) | (20,217) |
| Balance of obligation | 28,681 | 44,364 |
| Less current portion | (15,683) | (15,683) |
| Long-term portion | 12,998 | 28,681 |
| Leases obligation for next three years: | | |
| – 2002 | - | 15,683 |
| – 2003 | 15,683 | 15,683 |
| – 2004 | 12,998 | 12,998 |
| | 28,681 | 44,364 |

Note 6 FUTURE INCOME TAXES

Details of future income tax liabilities are:

| | Temporary Difference | Effective Tax rate | Future Income Taxes |
|---------------------------------------|-------------------------|-----------------------|---------------------------|
| Total future income tax assets: | - | - | - |
| Total future income tax liabilities: | | | |
| • Flow-through expenditures renounced | | | |
| Beginning, March 1, 2001 | 2,818,100 | - | - |
| Addition during the year | 3,104,875 | | |
| | 5,922,975 | | |
| Less offset for unused tax losses | (4,293,435) | | |
| Ending, February 28, 2002 | 1,629,540 | 38.12% | 621,181 |
| February 28, 2002 | 1,629,540 | 38.12% | (1) 621,181 |

(1) Net reduction in share capital (see note 2b)

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STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

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Note 7

SHARE CAPITAL

| | 2002 \$ | 2001 \$ |
|--|-------------------|-------------------|
| Authorized: | | |
| Unlimited number of common voting shares without nominal or par value | | |
| Unlimited number of First Preferred Shares | | |
| Unlimited number of Second Preferred Shares | | |
| Issued and fully paid: | | |
| 48,222,105 Common shares (2001 – 25,577,500) | 19,209,487 | 8,499,401 |
| Obligation to issue shares: ⁽¹⁾ | | |
| Special warrants | - | 799,000 |
| Units | - | 139,500 |
| Offering memorandum | - | 1,705,428 |
| | 19,209,487 | 11,143,329 |
| Less: Flow-through share tax benefits renounced to subscribers: | | |
| - future income taxes (Note 6) | (621,181) | - |
| | <u>18,588,306</u> | <u>11,143,329</u> |

During the year issued share capital increased as follows:

| | 2002 | | 2001 | |
|--|---------------------------|-----------|-----------|-----------|
| | # | \$ | # | \$ |
| For cash: | | | | |
| – exercise of options | 1,055,300 | 482,760 | 914,000 | 372,100 |
| – exercise of warrants | 2,176,667 | 1,201,749 | 3,314,000 | 1,443,650 |
| Non-cash transactions: | | | | |
| Exercise of obligation to issue shares instruments ⁽¹⁾ | | | | |
| – Special warrants conversion | 1,490,000 | 799,000 | 4,014,000 | 2,421,600 |
| – Units conversion (net) | 17,922,638 | 8,226,577 | - | - |
| | ⁽²⁾ 22,644,605 | 10,710,08 | 8,242,000 | 4,237,350 |
| | | 6 | | |

⁽¹⁾ The Company has signed irrevocable agreements and received funds from special warrants and units subscribers whereby it has an obligation to issue common shares and purchase warrants to the subscribers without additional cash consideration when the subscribers convert their special warrants and units.

⁽²⁾ 6,110,417 of the shares are flow-through shares whereby the company renounced \$3,104,875 in exploration expenses, transferring the income tax deduction to the shareholders.

During the year, 1,416,668 shares were released from escrow. As at February 28, 2002, there were nil shares (2001 – 1,416,668) held in escrow.

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STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)

(Presented in Canadian Dollars)

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Note 7 SHARE CAPITAL (continued)

a) Options

The Company has a fixed stock option plan pursuant to the TSX Venture Exchange (formerly Canadian Venture Exchange) policy which permits the issuance of options of up to 10% of the Company's issued share capital.

Stock options outstanding:

| |
|---|
| 155,000 common shares @ \$0.15 each to July 9, 2003 |
| 88,000 common shares @ \$0.50 each to May 4, 2004 |
| 100,000 common shares @ \$0.40 each to November 19, 2004 |
| 200,000 common shares @ \$0.40 each to January 21, 2005 |
| 65,000 common shares @ \$0.50 each to April 10, 2005 |
| 616,000 common shares @ \$0.44 each to October 23, 2005 |
| 889,500 common shares @ \$0.50 each to May 4, 2006 ⁽¹⁾ |
| <u>1,490,000</u> common shares @ \$0.50 each to October 24, 2006 ⁽¹⁾ |
| <u>3,603,500</u> |

⁽¹⁾ See Subsequent Events Note 11 c

b) Warrants

Share purchase warrants outstanding:

| |
|--|
| 836,846 common shares @ \$0.75 each to June 8, 2001 ⁽¹⁾ |
| 3,401,000 common shares @ \$0.55 each to August 14, 2002 |
| 2,335,000 common shares @ \$0.60 each to November 2, 2002 ⁽²⁾ |
| 3,000,000 common shares @ \$0.75 each to December 28, 2002 ⁽¹⁾ |
| 2,246,862 common shares @ \$0.60 each to April 11, 2003 |
| <u>313,750</u> common shares @ \$0.55 each to June 28, 2003 ⁽²⁾ |
| <u>12,133,458</u> |

⁽¹⁾ See Subsequent Events Note 11 f

⁽²⁾ See Subsequent Events Note 11 g

During the year, the following share purchase warrants expired:

175,000 common shares @ \$0.77 each to July 17, 2001
155,000 common shares @ \$0.72 each to August 1, 2001
771,000 common shares @ \$1.38 each to September 22, 2001
600,000 common shares @ \$0.60 each to October 16, 2001
3,879,000 common shares @ \$1.00 each to December 29, 2001

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STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

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Note 8 RELATED PARTY TRANSACTIONS

During the year, the Company had the following transactions with officers and directors and other Companies with which officers or directors are related:

| | <u>\$</u> |
|------------------------|-----------|
| Exploration costs: | |
| Consulting fees | 36,000 |
| Due from related party | 10,393 |
| Expenses: | |
| Management fees | 48,000 |

Note 9 ACCUMULATED LOSSES

The Company has accumulated losses for Canadian income tax purposes of \$4,293,435 which may be carried forward and used to reduce taxable income in future years. Under present tax legislation these losses will expire as follows:

| | <u>\$</u> |
|------|------------------|
| 2003 | 116,264 |
| 2004 | 40,171 |
| 2005 | 46,056 |
| 2006 | 348,453 |
| 2007 | 569,846 |
| 2008 | 1,177,797 |
| 2009 | 1,994,848 |
| | <u>4,293,435</u> |

The Company has renounced a total \$5,922,979 (\$3,104,875 for 2002) of exploration expenses in favour of the investors.

STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

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Note 10 LEASES OBLIGATIONS

- a) The Company leases its premises under an agreement expiring October 31, 2005. Minimum annual rents are \$34,304 plus a proportionate share of the property taxes and operating expenses. The total minimum obligation under this lease over the next four years is as follows:

| Year | <u>\$</u> |
|--------|-----------|
| - 2003 | 34,304 |
| - 2004 | 34,304 |
| - 2005 | 34,304 |
| - 2006 | 22,869 |

- b) During the year, the Company entered a rental agreement for its Ferguson Lake Camp Lodge expiring March 30, 2004. Minimum annual rents are \$42,672 plus related taxes. The minimum obligation under this lease over the next three years is as follows:

| Year | <u>\$</u> |
|--------|-----------|
| - 2003 | 42,672 |
| - 2004 | 42,672 |
| - 2005 | 3,556 |

Note 11 SUBSEQUENT EVENTS

- a) In March 2002, the Company registered as an Extra-territorial Corporation in Nunavut Territory, Canada under the Business Corporations Act of Nunavut.
- b) In March 2002, the Company granted options of 1,250,000 shares at \$0.90 per share to consultants and members of the Board of Directors.
- c) In April 2002, the Company received \$13,750 pursuant to the exercise of 27,500 stock options.

- d) In April 2002, the Company issued 25,100 December 2001 private placement units at \$0.50 per unit in lieu of finder fees. The units were exercised resulting in 25,100 flow-through shares and flow-through share purchase warrants.

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STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

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Note 11 SUBSEQUENT EVENTS (continued)

- e) In April 2002, the Company issued 16,000 December 2001 private placement units at \$0.50 per unit in lieu of finder fees. The unit were exercised resulting in 16,000 flow-through shares and flow-through share purchase warrants.
- f) In April 2002, the Company received \$216,000 and issued 360,000 shares pursuant to the exercise of share purchase warrants
- g) In May 2002, the Company received \$332,370 and issued 460,800 shares pursuant to the exercise of purchase warrants.

Note 12 COMPARATIVE FIGURES

2000 and 1999 figures have been reclassified where applicable in order to conform to the presentation used in the current year.

STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

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Note 13 UNITED STATES ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada (CDN GAAP) which, in these financial statements, conform in all material respects with those in the United States (US GAAP), except as follows:

a) Exploration Expenditures

Under CDN GAAP, exploration expenditures are capitalized until the property is sold or abandoned. If operations commence, the deferred expenditures are amortized over the expected benefit period. There can be no assurance of the commencement of operations. US GAAP requires that exploration expenditures be expensed as incurred until it is determined that commercially viable operations exist and the expenditures then incurred are recoverable.

b) Stock-Based Compensation

Statement of Financial Accounting Standards No. 123 "Accounting for stock-based Compensation" is effective for fiscal years beginning after December 15, 1995 and encourages, but does not require, companies to record the compensation cost for stock-based employee compensation plans at fair value at the grant date. Accordingly, the compensation cost for stock options is measured at the excess, if any, of the quoted market price of the Company's stock at the date of grant of the stock option over the amount an employee must pay to acquire the stock. The exercise price of the employee stock options at the grant dates were equal to or greater than the quoted market price requiring no compensation costs to be recorded.

In March 2000, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation (an interpretation of APB No. 25)*. This Interpretation does not have a material effect on the financial statements.

c) Comprehensive Income

Under US GAAP, SFAS No. 130 requires that companies report comprehensive income as a measure of overall performance. Comprehensive income includes all changes in equity during a year except those resulting from investments by owners and distribution to owners. There is no similar concept under Canadian GAAP. The Company has determined that it had no comprehensive income other than the loss in any of the years presented.

STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)

(Presented in Canadian Dollars)

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NOTE 13 UNITED STATES ACCOUNTING PRINCIPLES (continued)

d) Escrow Shares

Under CDN GAAP shares issued with escrow restrictions are recorded at their issued price and are not revalued upon release from escrow. Under US GAAP escrow shares which are released upon the Company meeting certain criteria are considered to be contingently issuable. These shares are excluded from the weighted average shares calculation and the difference between the fair market value of the shares at the time of their release from escrow and the shares' original issue price (being the market price at that time) is accounted for as a compensation expense and share capital at the time shares are released from escrow. During the year, 1,416,668 common shares were released from escrow, representing a compensation expense of \$729,584 (2001 - \$1,768,340).

e) The following summarizes the balance sheet items with material variations under US GAAP:

| | 2002 \$ | 2001 \$ |
|---------------------|--------------|--------------|
| Mineral property | - | - |
| Share capital | 21,681,230 | 13,506,669 |
| Contributed capital | 164,500 | 164,500 |
| Deficit | (21,652,570) | (13,848,804) |

f) The following table summarizes the effect on loss of differences between CDN GAAP and US GAAP:

| | 2002 \$ | 2001 \$ | 2000 \$ |
|---|-------------|-------------|-------------|
| Net income (loss) under CDN GAAP | (1,390,224) | (898,576) | (818,123) |
| US GAAP material adjustments: | | | |
| • Write-off of mineral property expenditures | (5,683,958) | (5,465,278) | (1,941,578) |
| • Shares for mineral property | - | - | (1,700,000) |
| • Reversal of mineral property write-off | - | - | 271,010 |
| • Compensation expense: - escrow share release | (729,584) | (1,768,340) | (595,000) |
| Net loss under US GAAP | (7,803,766) | (8,132,194) | (4,783,691) |
| Loss per share under US GAAP | 0.22 | 0.38 | 0.44 |
| Weighted average number of shares under US GAAP | 35,370,271 | 21,346,441 | 10,948,055 |

STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2002

(An Exploration Stage Company)
(Presented in Canadian Dollars)

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NOTE 13 UNITED STATES ACCOUNTING PRINCIPLES (continued)

g) The following table summarizes the effect on shareholders' equity (deficiency) after considering the US GAAP adjustments:

| | Share Capital | Contributed Capital | Accumulated Deficit | Total Shareholders' equity (Deficiency) |
|---|------------------|------------------------|------------------------|--|
| | \$ | \$ | \$ | \$ |
| Balance – February 28, 1999 | 770,301 | 164,500 | (932,919) | 1,882 |
| Share capital issued under CDN GAAP | 4,193,850 | - | - | 4,193,850 |
| Net loss under CDN GAAP | - | - | (818,123) | (818,123) |
| US GAAP material adjustments: | | | | |
| • Premium of escrow shares released | 595,000 | - | (595,000) | - |
| • Mineral property write-off | - | - | (1,941,578) | (1,941,578) |
| • Write-off mineral property addition for shares | - | - | (1,700,000) | (1,700,000) |
| • Add back CDN GAAP mineral property write-off previously expensed for US GAAP purposes | - | - | 271,010 | 271,010 |
| Balance – February 29, 2000 | 5,559,151 | 164,500 | (5,716,610) | 7,041 |
| Share capital issued under CDN GAAP | 6,179,178 | - | - | 6,179,178 |
| Net loss under CDN GAAP | - | - | (898,576) | (898,576) |
| US GAAP material adjustments: | | | | |
| • Premium of escrow shares released | 1,768,340 | - | (1,768,340) | - |
| • Mineral property write-off | - | - | (5,465,278) | (5,465,278) |
| Balance – February 28, 2001 | 13,506,669 | 164,500 | (13,848,804) | (177,635) |
| Share capital issued under CDN GAAP | 7,444,970 | - | - | 7,444,970 |
| Net loss under CDN GAAP | - | - | (1,390,224) | (1,390,224) |
| US GAAP material adjustments: | | | | |
| • Premium of escrow shares released | 729,584 | - | (729,584) | - |
| • Mineral property write-off | - | - | (5,683,958) | (5,683,958) |
| Balance – February 28, 2002 | 21,681,230 | 164,500 | (21,652,570) | 193,160 |