

STARFIELD RESOURCES INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1999

LOEWEN, STRONACH & CO.  
Chartered Accountants

AUDITORS' REPORT

To The Shareholders of Starfield Resources Inc.:

We have audited the balance sheet of Starfield Resources Inc. as at February 28, 1999 and 1998 and the statements of loss and deficit and changes in financial position for the years ended February 28, 1999 and 1998. 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 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, 1999 and 1998 and the results of its operations and the changes in its financial position for the years ended February 28, 1999 and 1998 in accordance with 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 consistent basis.

"Loewen, Stronach & Co."

Chartered Accountants

Vancouver, BC

May 3, 1999

STARFIELD RESOURCES INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1999

Note 1 OPERATIONS

The company was incorporated under the Business Corporations Act (Alberta) on April 22, 1994.

During the year, the company satisfied all of the conditions outlined by The Alberta Stock Exchange to complete its Major Transaction (the acquisition of ABE Claims).

The shares of the company were halted from trading by The Alberta Stock Exchange ("ASE") on February 5, 1999 pending approval by the ASE of a filing statement, a reporting letter, and the company raising capital for use on exploration expenditures related to the Ferguson Lake project and working capital.

Note 2 ADVANCES RECEIVABLE

During the year, advances receivable of \$120,000 were recovered upon finalization of an agreement with the founding shareholders to sell their escrowed common shares and use the proceeds to repay the advances.

Note 3 MINERAL PROPERTIES

In the pre-operational period, recoverable exploration expenditures are capitalized and will be amortized over the benefit period of the deferred expenditures once operations commence. Expenditures for abandoned projects will be written off.

	1999 \$	1998 \$
ABE Claims <sup>(1)</sup>		
• Property acquisition deposit	20,000	5,000
• Treasury shares issued	20,000	-
• Exploration work	231,010	3,210
	271,010	8,210
Ferguson Lake <sup>(2)</sup>		
• Exploration work	29,760	-
	300,770	8,210

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 1999

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Note 3 MINERAL PROPERTIES (continued)

(1) ABE Claims

An option agreement has been signed between the company and Hunter Exploration Group and Major General Resources Ltd. with respect to an option to acquire a 60% interest in 12 mineral claims known as the ABE Claims located in the Omenica Mining Division, B.C. The option interest was acquired by cash and by issuing 100,000 common shares in the company at a deemed price of \$0.20 per share.

In addition, the company must incur \$1,000,000 in exploration expenditures on the property by December 1, 2001. Under the terms of the agreement, until all payments and work commitments have been met, the company will not earn its option interest. No interest in the property will be obtained by the company unless it complies with all of the terms of the option agreement.

	Option Cash Payments	Exploration Expenditure Requirements
	\$	\$
By December 1, 1997 (paid)	20,000	-
By December 1, 1998 (paid)	-	200,000
By December 1, 1999	20,000	250,000
By December 1, 2000	30,000	250,000
By December 1, 2001	50,000	300,000
	120,000	1,000,000

(2) Ferguson Lake

An option agreement has been signed between the company and the Ferguson Lake Syndicate (The Syndicate) with respect to an option to acquire a 100% interest in three mineral claims known as the Ferguson Claims located in the Ferguson Lake area of Nunavut Territory.

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STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 1999

Note 3 MINERAL PROPERTIES (continued)

Under the terms of the agreement, the company has the right to earn 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 option interest will be acquired for \$75,000 cash and by issuing 4,250,000 common shares in the company at a deemed price of \$0.40 per share, issued as to 1,250,000 common shares into escrow on closing and 3,000,000 common shares into escrow after the \$500,000 in mineral exploration expenses have been incurred and the company has demonstrated to the Alberta Stock Exchange that the company has raised \$600,000 for further exploration. The company is required to incur \$500,000 in exploration expenditures by December 31, 1999 and a further \$1,200,000 after it receives an engineering report recommending the completion of a Phase II work commitment. If these expenditures are not completed, the company will receive no interest in the claims unless agreed to by The Syndicate. The company has the right to purchase 1% of the NSR for \$1,000,000 up to 180 days after receipt of a positive feasibility study recommending commercial production.

Note 4 LOANS PAYABLE

The loans payable of \$19,234 are unsecured, without specific repayment terms and are non-interest bearing;

	1999	1998
	\$	\$
Bruce Hamilton	19,234	19,234
Glen Indra - a director	-	58,397
	<u>19,234</u>	<u>77,631</u>

Note 5 SHARE CAPITAL

	1999	1998
	\$	\$
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:		
8,628,000 common shares		
(3,600,000 - 1998)	770,301	226,172

Included in issued share capital are 1,500,000 shares currently held in escrow; their release being subject to regulatory approval. One-third of the escrow shares may be released on each of the first, second and third anniversaries of the completion of the Major Transaction.

During the year 5,028,000 shares were issued:

	#	\$
For cash - warrants exercised	250,000	37,500
For cash - options exercised	278,000	41,700
For property	100,000	20,000
For cash - private placement	2,500,000	250,000
For cash - public offering	1,900,000	285,000
	<u>5,028,000</u>	634,200
Expenses related to public offering		(90,071)
		<u>544,129</u>

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STARFIELD RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 1999

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Note 5 SHARE CAPITAL (continued)

Incentive stock options outstanding:

190,000 shares @ \$0.15 each to January 31, 2000  
532,000 shares @ \$0.15 each to July 9, 2003  
250,800 shares @ \$0.45 each to December 21, 2003  
972,800

Warrants outstanding:

2,250,000 @ \$0.15 each to April 17, 2000

Note 6      LOSS PER SHARE

Basic and fully diluted losses per share have not been calculated as it is considered not meaningful at this stage of the company's development.

Note 7      RELATED PARTY TRANSACTION

Management fees of \$24,500 were paid to a related company.

Note 8      ACCUMULATED LOSSES

The company has accumulated losses for Canadian income tax purposes of \$614,438 which may be carried forward and used to reduce taxable income in future years. Under present tax legislation these losses will expire as follows:

Year	\$
2002	63,494
2003	116,264
2004	40,171
2005	46,056
2006	<u>348,453</u>
	<u>614,438</u>

STARFIELD RESOURCES INC.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 1999

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Note 9      SUBSEQUENT EVENTS

One million five hundred thousand (1,500,000) special warrants were issued for \$0.50 each pursuant to a private placement. Each special warrant consists of a common share and a common share purchase warrant exercisable at \$0.60 each, exercisable to April 23, 2000.

STARFIELD RESOURCES INC.

BALANCE SHEET

FEBRUARY 28, 1999

	1999	1998
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	4,414	3,556
Accounts receivable	23,987	-
Refundable deposits	35,339	-
Prepaid expenses	1,683	-
Loan receivable	2,200	-
	<u>67,623</u>	<u>3,556</u>
ADVANCES RECEIVABLE (Note 2)	-	120,000
MINERAL PROPERTIES (Note 3)	300,770	8,210
	<u>368,393</u>	<u>131,766</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	46,507	35,120
Loans payable (Note 4)	19,234	77,631
	<u>65,741</u>	<u>112,751</u>
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	770,301	226,172
DEFICIT	(467,649)	(207,157)
	<u>302,652</u>	<u>19,015</u>
	<u>368,393</u>	<u>131,766</u>

APPROVED BY THE DIRECTORS:

"Glen Indra", Director

"Glen MacDonald", Director

See accompanying notes to financial statements

STARFIELD RESOURCES INC.  
STATEMENT OF LOSS AND DEFICIT  
FOR THE YEAR ENDED FEBRUARY 28, 1999

	1999	1998
	\$	\$
REVENUE	855	-
EXPENSES		
Consulting fees	39,978	-
Travel	39,129	-
Rent and office services	36,569	4,280
Accounting and legal	34,253	35,051
Management fees	24,500	-
Transfer and regulatory fees	17,693	7,753
Investor relations	17,340	-
Office	16,397	5,541
Business and property evaluations	12,730	2,623
Telephone	10,453	3,192
Computer	7,695	-
Advertising and promotion	4,222	-
Interest and bank charges	388	-
Recovery of advances receivable	-	(12,384)
	261,347	46,056
LOSS	(260,492)	(46,056)
DEFICIT - beginning	(207,157)	(161,101)
DEFICIT - ending	(467,649)	(207,157)

See accompanying notes to financial statements

STARFIELD RESOURCES INC.  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED FEBRUARY 28, 1999

	1999	1998
	<u>\$</u>	<u>\$</u>
<b>OPERATING ACTIVITIES</b>		
Loss	(260,492)	(46,056)
Cash provided by changes in non-cash working capital items:		
Accounts receivable	(23,987)	-
Refundable deposits	(35,339)	-
Prepaid expenses	(1,683)	-
Loan receivable	(2,200)	-
Accounts payable and accrued liabilities	11,387	19,302
	<u>(312,314)</u>	<u>(26,754)</u>
<b>INVESTING ACTIVITIES</b>		
Advances receivable	120,000	-
Mineral properties	(292,560)	(8,210)
	<u>(172,560)</u>	<u>(8,210)</u>
<b>FINANCING ACTIVITIES</b>		
Loans payable	(58,397)	38,013
Issuance of shares	544,129	-
	<u>485,732</u>	<u>38,013</u>
<b>INCREASE IN CASH</b>	858	3,049
CASH - beginning	3,556	507
CASH - ending	<u>4,414</u>	<u>3,556</u>

See accompanying notes to financial statements