



**J-Pacific Gold Inc. 2001 Annual Report**



J-Pacific Gold Inc. **2001 Annual Report**

# **J-Pacific Gold Inc.**

(formerly Claimstaker Resources Ltd.)

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**Annual Report**  
**December 31, 2001 and 2000**

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**To Our Shareholders**    *J-Pacific* is bullish on gold!

Indeed, we continue to believe that the gold sector is a unique opportunity for the patient investor seeking undervalued opportunities in an out-of-favour industry. Despite being one of the best performing sectors in the past year, the share prices of publicly traded gold mining companies have market valuations that greatly understate the value of their underlying mineral assets. Currently, the entire gold sector has a valuation less than that of McDonald's Corporation, and posts price to earnings ratios that are a fraction of those of many "blue chips" within the Dow Jones and Standard & Poor's indices.

Our bullish stance has been confirmed by the dramatic increase in demand for physical gold throughout the world. Over the past year gold has once again assumed its role as a "safe haven" during difficult times. Savvy investors understand that "*gold in hand is no one else's liability*". The increased demand for gold has been particularly strong in Japan, as that country continues to face its prolonged financial challenges. Remarkably, Mr. Tamisuke Matsufuji, the President of our largest shareholder, Jipangu Inc. of Tokyo, Japan, predicted this Japanese gold stampede a number of years ago.

Despite bouts of volatility and the apparent actions by the official sector to "cap" the market, the gold price has trended higher over the past year because of growing global demand. The rapidly increasing investment demand for gold is occurring at the same time as falling mine production. It is estimated that South African gold production in 2001 declined to levels not seen since 1956. The revenues of many gold companies have become less than the cost of production, resulting in the closure of mines and a curtailment of production in others.

The extended depression in the gold industry has caused many gold producers to severely cut back or to eliminate their exploration budgets. Exploration is absolutely essential to provide new discoveries for future gold production. Without adequate exploration, the survival of the gold mining industry cannot be ensured. However, a higher gold price is required to induce the higher level of exploration that will result in new discoveries and cause gold production to increase.

Understanding this void, *J-Pacific* has focused its attention on exploration opportunities, as we know that the discovery of new gold deposits will provide our shareholders with the greatest rewards. To carry out this objective, we have put together an aggressive and talented technical team that includes our new Chief Geologist, David Shaddrick, Directors Kazuo Shuto and Driff Cameron, and have established working relationships with respected international geological consultants. We know that this team has the ability to make *J-Pacific* into a leading gold exploration company.

*J-Pacific* has begun to acquire a portfolio of gold properties in North America emphasizing economically superior opportunities that will produce attractive mining situations. *J-Pacific's* approach is to acquire high potential exploration projects in mining friendly jurisdictions, to perform a directed evaluation to identify the prime targets, and to quickly drill-test these targets. We intend to retain a project only if the initial drill results are favourable. *J-Pacific* believes that success is rooted in disciplined risk-reduction techniques, spending exploration dollars effectively, testing targets quickly, and never "falling in love" with a project.

In 2001, *J-Pacific* and our joint venture partner Jipangu Inc. commissioned the well-respected geological team from SRK Consulting to evaluate the Blackdome project. The purpose of the evaluation was to produce a geologic/structural model for the

occurrence of the ore, and to establish target areas for exploration. During the summer, SRK carried out a data evaluation, and an on-site study of the geology, ore occurrences and past work. A report on this program was completed which stated that “in addition to exploring and extending the historically mined ore bodies within the existing workings, SRK believes that there is significant potential of discovering entirely new ore bodies that could provide ‘another Blackdome’.”

The SRK report underscored the potential of the Blackdome project. The joint venture intends to study and act on the SRK recommendations, beginning with the identification and characterization of the target gold-bearing structures on surface, and progressing to diamond drilling, to be potentially followed by underground exploration. We believe that the Blackdome Gold Mine has significant promise to once again become a high-grade gold producer.

Finally, in these difficult times, *J-Pacific* has been most fortunate to have a strong affiliation with our major shareholder, Jipangu Inc. On September 5, 2001, the Company officially changed its name to *J-Pacific Gold Inc.* to reflect our close relationship with Jipangu and to improve our marketability to the Asian investor. Indeed, we share Jipangu’s vision of the future and believe we are now witnessing the dawn of the new “Golden Age”.

**Financial Activities**

*J-Pacific* benefits from the support of a strong financial partner, Jipangu Inc. As our Blackdome Gold Mine joint venture partner, Jipangu has continued to provide critical financial support to *J-Pacific* for the ongoing maintenance of Blackdome and for the Company's general corporate expenses. In the past year, *J-Pacific* raised a total of \$1,554,500 in new private placement financings, of which \$1,394,500 was completed with Jipangu.

**Management and Board of Directors**

The past year saw additions to *J-Pacific*’s management team, which included Mr. Ralph Braun as Chief Financial Officer and Mr. David Shaddrick as Chief Consulting Geologist. New Board members are Mr. Kazuo Shuto, Mr. Driffield Cameron and Mr. John H. Mesrobian.

The Management and the Board of Directors wish to thank Mr. Greg Austin of Reno, Nevada for his years of service to the Company. Mr. Austin served as a Director since 1997 and will continue to provide his services as an independent engineering consultant to *J-Pacific*.

**Investor Relations**

Investor relations consisted of responding to inquiries from investors and shareholders, and a major overhaul and upgrade of the *J-Pacific* Internet website to improve our ability to disseminate information to the investing public.

**Future Plans**

In 2002, *J-Pacific* intends to add to its portfolio of projects through the acquisition of early-stage exploration properties with the potential for large economic gold deposits. We believe that the current gold industry depression offers many interesting acquisition opportunities in mining friendly jurisdictions in North America. The acquisition of the Callahan project in northern Nevada is the most recent step in *J-Pacific*’s quest to assemble and explore superior opportunities.

*J-Pacific* is preparing the Blackdome project for a resumption of exploration and development activities that will be designed to improve upon the current “drill-inferred” resource, with an ultimate goal of defining new economic gold mineralization. If successful with its exploration, *J-Pacific* intends to commission an independent feasibility study as a prelude to the resumption of mining activities.

The Golden Trend project consists of classic Nevada deep-drilling targets, which are

well located on the prolific Battle Mountain-Eureka gold trend. Golden Trend has a similar geologic and structural setting to Placer Dome's Pediment deposit, approximately 5 kilometers north of the property. The December 1999 news of this 1.2 million ounce Pediment gold discovery significantly enhanced the attractiveness of this *J-Pacific* property. Plans are being made for a limited exploration drilling program to intersect the Robert's Mountain Thrust, and test the associated gold mineralization and alteration.

The Zenda Gold Mine remains idle, awaiting a higher gold price before commencing operation. During the past year, *J-Pacific* maintained the necessary permitting for Zenda to allow for the expedient commencement of production. Subsequent to year-end, the Company began a review and update of the economics of the project.

Sincerely,



**Nicholas T. Ferris**  
President and CEO

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**J-Pacific Gold Inc.**  
(formerly Claimstaker Resources Ltd.)  
**Management Discussion and Analysis**

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Sincerely,



**Nicholas T. Ferris**  
President and CEO

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**Review**

*J-Pacific Gold Inc.* is a junior resource company focused on the exploration and development of gold properties in North America. Since the Company's inception in 1990, it has evaluated a number of precious metals prospects, has engaged in geological, geochemical and geophysical exploration and diamond drilling programs, and has been involved in small-scale gold production.

On September 5, 2001, the Company formally changed its name from *Claimstaker Resources Ltd.* to *J-Pacific Gold Inc.*

In 1997, the Company acquired its second major project, the Zenda Gold Mine, located in Kern County, southern California. Zenda is a planned open pit gold-silver heap leach project from which a recovery of 0.041 oz. gold per ton is expected, and which has an identified resource of approximately 1.6 million tons of ore.

Also in 1997, the Company acquired the Golden Trend property, an early-stage gold exploration project along Nevada's prolific Battle Mountain trend. This project is well located on the trend, approximately five kilometers to the south of Placer Dome's Pediment project.

The Company also holds the Alwin copper property in the Highland Valley of British Columbia.

In 1994, the Company acquired a former high-grade gold producer, the Blackdome Gold Mine located near Clinton, British Columbia. During 2001, the Blackdome project underwent an independent exploration-risk assessment review and is considered to have significant potential to host additional ore bodies.

*J-Pacific* is a Tier 1 Company listed on the Canadian Venture Exchange and trades

under the symbol “JPN”. It maintains its head office in Vancouver, British Columbia. *J-Pacific’s* directors and officers have extensive experience in exploration, marketing and finance.

**Cautionary Statement**

This 2001 Annual Report contains certain statements related to ore reserves, production, revenue, expenses, plans, development schedules and similar items that represent forward-looking statements. Such statements are based on assumptions and estimates related to future economic and market conditions. While management reviews the assumptions regularly, they involve risks and uncertainties that could cause actual results to differ materially from those contemplated in the forward-looking statements.

**Financial Overview**

Year ended 2000, the company wrote off the remaining properties deemed not feasible. In 2001, the company was able to focus efforts on enhancing the value of existing properties and projects.

During 2001, each partner in the Blackdome Mine joint venture invested \$28,446 into exploration and development consisting mainly of a geo-technical study performed by SRK Canada Inc. Also, the cost of maintaining the property dropped \$29,416 from 2000 (\$97,555) to 2001 (\$68,139). The 2001 care and maintenance costs include a rebuild for a generator used for electricity. This was done under the philosophy of ensuring the Blackdome operation remains a first class exploration and development camp allowing the Company, for example, to follow up on the recommendations contained within SRK’s geo-technical study.

The Company invested \$49,212 in exploration and development, mainly on it’s US properties and projects Golden Trend project and the Zenda Gold Mine. Expenses associated with carrying these two investments were \$10,884 during the year.

Corporately, the Company maintains a lean operation. Most services remain outsourced. Operations remain lean with staff and consultant time limited to current responsibilities and advancing projects. All projects follow a strict approach philosophy aimed at maximizing shareholder value while minimizing risk at each stage of project review. Amortization expense consists only of capital assets (office, computer and leaseholds).

Equity transactions during 2001 were limited to a single private placement. The company issued 5,800,000 million shares to Jipangu Inc. for proceeds of \$1,160,000. Financing is raised on a as needed basis allowing the Company to maximize return in what is expected to be a bull market around gold and gold shares.

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**Summary of Properties and Projects**

Major Property or Project	Canada	United States
	Blackdome Gold Mine	Golden Trend Project Zenda Gold Mine

**Blackdome Gold Mine**  
 Clinton, British Columbia

The Blackdome property is located approximately 250 kilometers north of Vancouver, 70 kilometers west northwest of the small town of Clinton. The mine is at an elevation of about 2000 meters, near the summit of Blackdome Mountain. Vehicle access from Clinton or Williams Lake includes crossing the Fraser River near Churn Creek, and travelling an additional 30 kilometers of gravel road, which provides access to all parts of the property.

### **Overview**

The Blackdome property is held 100% by No 75 Corporate Ventures Ltd., owned equally by *J-Pacific Gold Inc.* (50%) and *Jipangu Inc.* (50%). *J-Pacific's* joint venture partner in the project, *Jipangu Inc.* of Tokyo, Japan, is a private Japanese resource company. The property consists of 27 mineral claims totaling 258 units, 10 crown granted mineral claims totaling 169 hectares, and two mining leases totaling 978.33 hectares.

The Blackdome property has an "Inferred Mineral Resource" (CIMM 2000 definitions) of 124,120 tonnes averaging 12.8 grams of gold per tonne (0.37 oz Au/ton) and 33.7 grams of silver per tonne (0.98 oz Ag/ton) for an in situ total of 50,834 ounces of gold and 134,386 ounces of silver.

**Blackdome has several exploration targets that have been well documented within the areas of underground development, as well as farther from these areas. In 2001, *J-Pacific* commissioned SRK Consulting to complete a geological model, resource estimate and preliminary exploration-risk assessment of the Blackdome project. SRK concluded that Blackdome has significant potential of hosting entirely new economic ore bodies.**

*J-Pacific* views the property as a long-term asset. However, additional gold resources must be proven before the Company would proceed to an independent feasibility study, as a precursor to any future production.

### **History**

In the early 1930's, placer gold mining in the Fraser River canyon at locations such as Big Bar, Crows Bar, French Bar and High Bar led to a placer gold discovery on Poison Mountain. This resulted in a staking rush that saw a large area claimed, including most of the creeks near Blackdome Mountain. The source of the placer gold was a large, low-grade copper-gold porphyry system. Considerable sluicing was done on Fairless Creek, which drains the west slope of Black Dome Mountain.

**After an extended period of exploration, Blackdome Mining Ltd. brought the outlined gold deposit into production in 1986. The proven and probable reserves totalled 119,557 tonnes grading 20.9 grams gold per tonne (0.61 oz Au/ton) and 124.6 grams silver per tonne (3.63 oz Ag/ton). The initial 140 tonnes per day rate of production was increased to 200 tonnes per day. The mine shut down in January 1991. During its five year life, a total of 7,000,000 grams of gold (225,000 ounces) and 17,000,000 grams of silver (547,000 ounces) were recovered from 338,000 tonnes (373,000 tons) of ore.**

After *J-Pacific* purchased the asset in 1995, a small amount of exploration drilling was completed adjacent to the existing workings and a decision was made to bring the mine back into production. Between November 1998 and May 1999, the mine produced 203,631 grams of gold (6,547 ounces) and 538,090 grams of silver (17,300 ounces) from 21,286 tonnes of ore. Ninety percent of Blackdome's total historical gold and silver production came from the No. 1 and 2 Veins of the mineralized system, between the 1870 and 1990-meter elevations, and from one kilometer of the 3.75 kilometer long vein system. The mine was closed in May 1999 due to the prevailing low price of gold.

**Golden Trend Project**  
Lander County, Nevada

**Golden Trend is a promising early-stage exploration property located in Nevada in the heart of the third largest gold producing region in the world. It lies within the highly prolific Battle Mountain-Eureka Trend in Eureka County, approximately 300 miles north east of Reno.**

The Pipeline, Cortez, Horse Canyon and Buckhorn gold mines are all within a few miles of the Golden Trend property, and Placer Dome's newest discovery, the plus one million ounce Pediment deposit, is only five kilometres to the north.

### **Overview**

In August 1996, an initial group of 80 claims was optioned from Rubicon Resources Inc. of Sparks, Nevada. An additional 10 claims were staked by Rubicon in 1998 and added to the option agreement. These 90 claims are subject to a 3% net smelter royalty, of which 2% is purchasable. Under the option agreement, *J-Pacific* pays the annual Bureau of Land Management and county fees, and makes annual advanced royalty payments to Rubicon. *J-Pacific* staked an additional 21 claims, enlarging the property to 111 lode mining claims. The option agreement and all the claims are in good standing.

### **History**

The Battle Mountain-Eureka Trend is defined by a northwest-southeast alignment of operating mines and undeveloped gold deposits. Several are world class, multimillion ounce deposits with Newmont Mining Corporation, Placer Dome Mines Inc. and Barrick Gold Corporation as operators.

The deposits of the Trend are generally sediment hosted, and are referred to as "Carlin" type. The host Paleozoic carbonate rocks are mineralized where they have been cut by high angle faults which acted as conduits for the gold-bearing hydrothermal fluids. Recent dramatic discoveries of high grade gold deposits in these "feeders" and associated structures have significantly expanded the potential of these environments.

The Battle Mountain-Eureka Trend appears to be controlled by early, deep-seated structures such as the Cortez Fault, which have been reactivated and offset by basin and range tectonism. The host carbonate rock sequence has been locally uplifted by these structures and exposed in windows through the plane of the regionally extensive Roberts Mountains Thrust Fault. These "lower plate" rocks, which are the main gold bearing units, are overlain by a primarily clastic sequence referred to as "upper plate" rocks.

**Alteration associated with these sediment hosted deposits is subtle but definitive. The rocks are variously silicified, decarbonatized, bleached and commonly argillized. Gold, arsenic, and, to a lesser extent, antimony and mercury are excellent geochemical indicators.**

The property is cut along its entire western side by the Cortez Fault and associated structures, and is interpreted to be bounded on the east by the northern Nevada rift zone, creating an uplifted block of stratigraphy that brings the lower plate rocks closer to the surface. Roberts Mountain Trust lower plate rocks are exposed within a mile of the north side of the claim group, and are projected under shallow cover under much of the property. Exploration by *J-Pacific* in 1998 and 1999 identified significant coincident gold and arsenic soil geochemical values correlated with high angle structures. Geochemically anomalous gold and arsenic in rock, and occasionally anomalous copper values, have been identified in various geologic settings. To follow-up on this preliminary geologic, geochemical, and geophysical work, a small program of nine shallow reverse circulation holes was undertaken on this sizable 111 claim property. Analyses from the drilling produced values in excess of 3,000 ppm arsenic and 100 ppb gold. An area of silicification was identified, which may be associated with a mineralized porphyritic intrusive system. The strongly altered intrusive, and the gold-arsenic mineralization appears to be spatially related to a splay off the Cortez Fault, itself a prominent structural feature in major gold

deposits nearby.

**Zenda Gold Mine**  
Kern County, California

The Zenda Project is located in Kern County, southern California, approximately 30 miles southeast of the city of Bakersfield and 10 miles due north of the town of Tehachapi.

**Overview**

The Zenda project is a small tonnage, largely permitted, potential heap leach operation with 1,403,000 tons outlined at a grade of 0.042 ounces of gold per ton and 0.575 ounces of silver per ton. With a higher gold price, *J-Pacific* would propose to mine the ore body at rate of 2,400 tons per day, 5 days per week. Without additional reserves, the mining would be completed in less than two years. However, it may be possible to add to the deposit with exploration drilling along strike and down dip, as the resource is open in all directions.

The orebody is located on the top of a mountain and has a low stripping ratio (0.36:1). A significant portion of the waste would be used in the construction of an embankment dam, which is to contain the valley fill heap leach pad. Gold recovery would be in a conventional carbon stripping circuit.

Overburden at the deposit provides potential upside for the project as sampling by *J-Pacific* has confirmed that it contains indicated gold grades ranging between 0.01 and 0.03 ounces per ton. This grade range is not economic on its own; however, recovery of this gold could improve the return on capital should gold prices rise substantially (Potential revenues from this overburden are not contained in the feasibility study.).

**History**

The Zenda project was originally conceived and explored by Shell Mining Co. Ownership in the project was transferred to Equinox Resources Ltd. of Vancouver, British Columbia in the mid 1980's. In 1989, Equinox commissioned a full engineering plan from Vector Engineering of Grass Valley, California for the construction of a valley fill leach pad, an appropriately sized embankment dam for containment, a gold recovery plant, and ancillary facilities. Concurrently, a mine plan was commissioned from Pincock Allen & Holt of Lakewood, Colorado.

**With these reports and the metallurgical studies of McClelland Laboratories of Reno, Nevada, Equinox prepared a feasibility study and commissioned Pincock Allen & Holt to perform an audit on its study. Based on these studies the property was permitted and readied for production. However, Equinox made a decision not to commence production because of the prevailing low gold price.**

Hecla Mining Co. acquired the property as part of its 1994 takeover of Equinox Resources Ltd. Subsequently, Hecla decided to sell the property, as its relatively small resource did not meet Hecla's production criteria.

Saga Exploration Co., a private Nevada corporation, gained control of the project in late 1995. Saga undertook a detailed review of the property work and completed an updated economic study in 1996. Early in 1997, Saga entered into a purchase agreement with *J-Pacific* whereby ownership of Equinox was transferred to *J-Pacific*, but it is intended that Saga will be the project developer and operator of the mine.

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# **J-Pacific Gold Inc.**

(formerly Claimstaker Resources Ltd.)

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**Consolidated Financial Statements  
December 31, 2001 and 2000**

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## **AUDITORS' REPORT**

To the Shareholders of  
J-Pacific Gold Inc.  
(Formerly Claimstaker Resources Ltd.)

We have audited the consolidated balance sheet of J-Pacific Gold Inc. (formerly Claimstaker Resources Ltd.) as at December 31, 2001 and the consolidated statements of loss and deficit, and cash flows for the year 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, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

The consolidated financial statements as at December 31, 2000, and for the year then ended, were audited by other auditors who expressed an opinion without qualification on April 9, 2001.

Vancouver, B.C.

February 15, 2002, except as to  
note 15(b) which is as of March 27, 2002

Chartered Accountants

**J-Pacific Gold Inc.**  
(formerly Claimstaker Resources Ltd.)  
**Consolidated Balance Sheets**  
**As at December 31, 2001 and 2000**

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(expressed in Canadian dollars unless otherwise stated)

	<b>2001</b>	<b>2000</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	38,769	8,004
Accounts receivable	4,607	3,415
Prepaid expenses	21,648	26,729
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	65,024	38,148
<b>Deposits</b> (note 3)	118,963	118,501
<b>Mine property, plant and equipment</b> (note 4)	762,346	733,900
<b>Exploration and development properties</b> (note 5)	1,630,854	1,581,642
<b>Other capital assets</b> (note 6)	22,202	19,725
<b>Other deferred costs</b>	35,079	35,079
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	2,634,468	2,526,995
	<hr/>	<hr/>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	72,986	67,146
<b>Provision for reclamation costs</b> (note 3)	100,000	100,000
<b>Shareholder loan</b> (note 8)	39,896	622,625
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	212,882	789,771
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<b>Shareholders' Equity</b>		
<b>Capital stock</b> (note 10)	10,749,270	9,589,270
<b>Deficit</b>	(8,327,684)	(7,852,046)
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	2,421,586	1,737,224
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	2,634,468	2,526,995
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**Going concern and nature of operations** (note 1)

**Approved by the Board of Directors**

“Nick Ferris” \_\_\_\_\_ Director

“D’Arcy Adam” \_\_\_\_\_ Director

**J-Pacific Gold Inc.**

(formerly Claimstaker Resources Ltd.)

**Consolidated Statements of Loss and Deficit****For the years ended December 31, 2001 and 2000**

(expressed in Canadian dollars unless otherwise stated)

	<b>2001</b>	<b>2000</b>
	<b>\$</b>	<b>\$</b>
<b>Expense</b>		
Amortization	5,596	9,157
Government, transfer agent and stock exchange fees	12,817	16,649
General and administrative	419,217	369,785
Write-off of exploration and development properties	-	186,115
Loss on disposal of assets included in exploration and development properties	-	205,169
Write-off of accounts receivable	-	49,643
Care and maintenance	68,139	97,555
	<u>505,769</u>	<u>934,073</u>
<b>Loss from operations</b>	(505,769)	(934,073)
<b>Other income (expenses)</b>		
Foreign exchange gain	17,251	3,350
Recovery of prior year's expenses	11,817	-
Loss on disposal of capital assets	-	(27,737)
Interest income (expense)	1,063	(18,403)
	<u>(475,638)</u>	<u>(976,863)</u>
<b>Loss for the year</b>	(475,638)	(976,863)
<b>Deficit – Beginning of year</b>	<u>(7,852,046)</u>	<u>(6,875,183)</u>
<b>Deficit – End of year</b>	<u>(8,327,684)</u>	<u>(7,852,046)</u>
<b>Basic loss per share</b>	<u>(0.02)</u>	<u>(0.04)</u>
<b>Weighted average number of common shares outstanding</b>	<u>24,418,984</u>	<u>23,099,712</u>

**J-Pacific Gold Inc.**

(formerly Claimstaker Resources Ltd.)

**Consolidated Statements of Cash Flows****For the years ended December 31, 2001 and 2000**

(expressed in Canadian dollars unless otherwise stated)

	<b>2001</b>	<b>2000</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from (used in) operating activities</b>		
Loss for the year	(475,638)	(976,863)
Items not affecting cash		
Amortization	5,596	9,157
Write-off of exploration and development properties	-	186,115
Write-off of accounts receivable	-	49,643
Loss of disposal of assets included in exploration and development properties	-	205,169
Recovery of prior year's expenses	(11,817)	-
Loss on disposal of capital assets	-	27,737
	(481,859)	(499,042)
Change in non-cash working capital items	9,729	(43,314)
	(472,130)	(542,356)
<b>Cash flows from (used in) financing activities</b>		
Proceeds of private placement	1,160,000	-
Proceeds of shareholder loan	509,328	622,625
Repayment of shareholder loan	(1,080,240)	-
Repayment of capital lease obligations – net of interest	-	(93,269)
	589,088	529,356
<b>Cash flows from (used in) investing activities</b>		
Mine property, plant and equipment	(28,446)	(10,529)
Exploration and development properties – net	(49,212)	(183,753)
Reclamation deposits	(462)	(5,241)
Purchase of other capital assets	(8,073)	(1,220)
Proceeds from sale of assets included in exploration and development properties	-	78,716
	(86,193)	(122,027)
<b>Increase (Decrease) in cash</b>	<b>30,765</b>	<b>(135,027)</b>
<b>Cash – Beginning of year</b>	<b>8,004</b>	<b>143,031</b>
<b>Cash – End of year</b>	<b>38,769</b>	<b>8,004</b>

**Supplementary cash flow information** (note 14)

**J-Pacific Gold Inc.**

(formerly Claimstaker Resources Ltd.)

**Notes to Consolidated Financial Statements****December 31, 2001 and 2000**

(expressed in Canadian dollars unless otherwise stated)

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**1 Going concern and nature of operations**

The company has a working capital deficiency of \$7,962 at the end of the year. Additional financing or continued financial support from Jipangu Inc. ("Jipangu"), a major shareholder, is required to sustain the company at the current rate of expenditure and to meet its spending commitments to keep the Blackdome Mine and its exploration and development projects in good standing.

In the event that continued financial support or additional financing is not available, there would be doubt about the company's ability to continue as a going concern.

These consolidated financial statements are prepared on a going concern basis, which implies that the company will continue realizing its assets and discharging its liabilities in the normal course of business. Accordingly, they do not give effect to any of the adjustments that would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements.

The company is in the process of exploring its mineral properties and investigating other possible property acquisitions and is considered to be an exploration stage company. The recoverability of the amounts shown for exploration and development properties is dependent on the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete this development, and future profitable production. The amounts shown as exploration and development properties represent net costs to date, less amounts written off, and do not necessarily represent present or future values.

Although the company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the current stage of exploration of such properties, these procedures do not guarantee the company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

**2 Significant accounting policies****Basis of consolidation**

The consolidated financial statements include the accounts of J-Pacific Gold Inc. and its subsidiaries, Equinox Resources (Calif.) Inc. and Auric Resources Inc. and its proportionate share of the assets, liabilities, revenues and expenses of No. 75 Corporate Ventures ("No. 75"), an incorporated entity accounted for as a corporate joint venture in which the company has a 50% interest.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles required management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from these estimates.

**J-Pacific Gold Inc.**

(formerly Claimstaker Resources Ltd.)

**Notes to Consolidated Financial Statements****December 31, 2001 and 2000**

(expressed in Canadian dollars unless otherwise stated)

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**Mine property, plant and equipment**

Mine property, plant and equipment are recorded at cost. The cost of the mine property includes acquisition, exploration and development costs, and the results of operations and attributed general and administrative support costs incurred prior to the commencement of commercial production. When carrying values exceed the estimated net recoverable amount, the carrying values are written down to the estimated net recoverable amount.

Depletion of mine property, plant and equipment costs is provided using the unit-of-production method, based on estimated proven and probable ore reserves.

Depreciation of the tailings pond, computer equipment and vehicles included in the mine property, plant and equipment balance is provided using the declining-balance method.

**Exploration and development costs**

The company defers exploration expenditures directly related to specific mineral properties until such time as the extent of mineralization has been determined and the mineral properties are either developed or the company's mineral rights are allowed to lapse. Deferred costs are amortized over the useful life of the ore body following commencement of commercial production or written off if the property is sold or abandoned.

Management's estimate of recoverable proven and probable reserves is subject to risks and uncertainties of change affecting the recoverability of the company's investment in mineral properties. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur in the near term that could adversely affect management's estimate of the recoverability of mineral properties and deferred costs and the need for asset impairment write-downs.

**Other capital assets**

Other capital assets are comprised of computer equipment, office equipment and leasehold improvements. For the years ended December 31, 2000 and earlier, depreciation is provided from the date of acquisition on the declining-balance method at the per annum rates stated in note 6 over the estimated useful lives of the assets. For the year ended December 31, 2001, depreciation is provided from net book value as at December 31, 2000 on the straight line method as stated in note 6 over the estimated useful lives of the assets.

**Stock option plan**

The company has no formal stock option plan. Options are granted periodically by the directors and no compensation expense is recognized when stock or stock options are issued. Any consideration paid by directors, employees or consultants on exercise of stock options or purchase of stock is credited to capital stock.

**Reclamation costs**

A provision for estimated future decommissioning and reclamation costs is accrued on a units-of-production basis. Costs incurred during production are charged to operations in the period incurred.

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**Loss per share**

Loss per share is calculated using the weighted average number of shares issued and outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Diluted loss per share is not presented as the exercise of stock options and share purchase warrants would be anti-dilutive.

**Foreign currency translation**

The operations of the company's foreign subsidiaries are translated into Canadian dollars using the temporal method as follows: monetary assets and liabilities at the rates of exchange prevailing at the balance sheet date; other assets and liabilities at the applicable historical exchange rates; and revenues and expenses at the average rate of exchange for the year, except for non-monetary expenses which are at the rates used for the translation of the related assets. Gains and losses on translation are included in the consolidated statement of loss and deficit.

**Income taxes**

Effective January 1, 2000, the company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. These new standards also require that the future income tax liabilities or assets are measured using tax rates and laws expected to apply in the periods that the temporary differences are expected to reverse.

**3 Deposits**

Deposits represent an amount receivable of \$100,000 (2000 - \$100,000) and bonds of \$18,963 (2000 - \$18,501) relating to reclamation permits issued on various mineral properties held by the company. An irrevocable letter of credit issued by a Canadian chartered bank has been issued as collateral for the amount receivable.

**4 Mine property, plant and equipment**

After having acquired 100% interest in the Blackdome Mine near Clinton, BC, the company entered into a 50% joint venture at the mine. The company has been appointed operator of the joint venture agreement and, in that capacity, is entitled to management fees equal to 7% of the operating costs.

These consolidated financial statements include the company's 50% interest in the corporate joint venture as follows:

	<b>2001</b>	<b>2000</b>
	\$	\$
<b>Blackdome Mine</b>		
Property costs	2,725	-
Mill	639,812	639,812
Plant and mining equipment	98,899	94,088
Development costs	20,910	-
	<hr/>	<hr/>
	762,346	733,900

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**Agreement with Jipangu**

During the years ended December 31, 2001 and 2000, Jipangu advanced funds to the company to allow for continued care and maintenance of the mine. The company's share of these ongoing costs, paid by Jipangu, are treated as part of the shareholder loan (note 8).

The consolidated financial statements include the company's 50% interest in the corporate joint venture as follows:

	<b>2001</b>	<b>2000</b>
	\$	\$
Current assets	2,865	9,539
Long-term assets	772,346	743,899
Current liabilities	12,351	6,040
Long-term liabilities	100,000	100,000
Expenses	68,138	-
Cash flows from operating activities	(52,300)	(205,995)
Cash flows from financing activities	121,099	216,920
Cash flows for investing activities	(65,946)	(10,538)

**5 Exploration and development properties**

Costs incurred by the company for acquisition and exploration of mineral properties are shown below:

	<b>2001</b>				
	<b>Acquisition</b>	<b>Deferred</b>	<b>Costs</b>	<b>Assets sold</b>	<b>Total</b>
	\$	exploration	written off	\$	\$
		\$	during the		
			year		
Zenda (a)	422,999	1,027,372	-	(283,885)	1,166,486
Alwin (b)	75,000	187,311	-	-	262,311
Golden Trend (c)	66,039	136,018	-	-	202,057
	<u>564,038</u>	<u>1,350,701</u>	<u>-</u>	<u>(283,885)</u>	<u>1,630,854</u>

	<b>2000</b>				
	<b>Acquisition</b>	<b>Deferred</b>	<b>Costs</b>	<b>Assets sold</b>	<b>Total</b>
	\$	exploration	written off	\$	\$
		\$	during the		
			year		
Zenda (a)	422,999	1,019,268	-	(283,885)	1,158,382
Alwin (b)	75,000	186,456	-	-	261,456
Golden Trend (c)	66,039	95,765	-	-	161,804
Los Hilos	70,135	72,758	(142,893)	-	-
Bru-Lovie	0	23,590	(23,590)	-	-
Warrior	5,000	14,632	(19,632)	-	-
	<u>639,173</u>	<u>1,412,469</u>	<u>(186,115)</u>	<u>(283,885)</u>	<u>1,581,642</u>

**a) Zenda**

The company has a 100% interest in the Zenda Gold Mine located near Bakersfield, California. The agreement requires the company to issue to the vendors, one of whom is related by virtue of being a common director, a maximum of 2,050,000 common shares, of

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which 1,000,000 common shares have been issued. Under the terms of the agreement, the vendor is the operator and upon financing by the company the vendor is required to construct the facility. The vendors can earn up to an additional 550,000 shares dependant upon completing the facility at various cost levels compared to the approved capital cost budget. The final 500,000 shares will be issued when the company recovers its pre-production expenses.

The vendors retain a 25% net profits interest after capital payback to the company and a 5% net smelter royalty (NSR) is payable to underlying interests. To date, \$435,773 (2000 - \$435,773) of royalties have been prepaid against this obligation, and are included in deferred exploration costs.

**b) Alwin Copper Property**

The company holds 21 mineral claims in the Highland Valley in the province of British Columbia. The claims are subject to a 2.5% NSR.

**c) Golden Trend Property**

The company holds an option to purchase a 100% interest in the Golden Trend property, a block of 80 claims in central Nevada. The interest is subject to a 3% NSR, of which 2% may be purchased. The company has, to date, issued 100,000 common shares as required under the agreement to complete its purchase option. The company has agreed to pay U.S. \$10,000 each year as an advance royalty on the NSR. To date, \$87,713 (2000 - \$72,151) of royalties have been prepaid against this obligation, and are included in deferred exploration costs.

In addition to the 80 claims purchased, the company staked an additional 10 claims adjacent to the property.

**6 Other capital assets**

				<b>2001</b>
	<b>Amortization period</b>	<b>Cost \$</b>	<b>Accumulated amortization \$</b>	<b>Net \$</b>
Computer hardware	3 years	37,161	25,405	11,756
Office equipment	7 years	25,361	18,652	6,709
Leasehold improvements	7 years	16,350	12,613	3,737
		<u>78,872</u>	<u>56,670</u>	<u>22,202</u>

				<b>2000</b>
	<b>Amortization rate</b>	<b>Cost \$</b>	<b>Accumulated amortization \$</b>	<b>Net \$</b>
Office equipment	20%	25,361	17,535	7,826
Computer hardware	30%	29,087	21,549	7,538
Leasehold improvements	20%	16,350	11,989	4,361
		<u>70,798</u>	<u>51,073</u>	<u>19,725</u>

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**7 Capital lease obligations**

During the year ended December 31, 2000, the company negotiated the cancellation of all capital lease obligations for camp, plant and equipment at the Blackdome Mine, at a cost of \$93,269, resulting in a gain of \$214,540, which was applied against mine property, plant and equipment costs.

**8 Shareholder loan**

During the year ended December 31, 2001, a shareholder's loan in the amount of \$39,896 (2000 - \$622,625) was made to the company from Jipangu. The loan is non-interest bearing, unsecured and has no fixed repayment terms. During 2001, \$592,926 was received from Jipangu. Of this amount, \$167,198 flowed through to the Blackdome Mine joint venture of which half (\$83,599) is excluded in cash flows from (used in) financing activities for these consolidated statements as this half represents part of Jipangu Inc.'s 50% interest which is not consolidated.

**9 Commitments**

Effective May 1, 1997, the company entered into an amended lease agreement for office space for a five year period expiring August 31, 2002. The company has also committed to certain operating leases for the rental of a vehicle. The future minimum lease payments required under these lease agreements are:

	<b>Office</b>	<b>Vehicles</b>
	<b>\$</b>	<b>\$</b>
2002	23,896	4,463

**10 Capital stock**

Authorized: 100,000,000 common shares without par value

Issued and outstanding:

	<b>Number of</b>	<b>Amount</b>
	<b>shares</b>	<b>\$</b>
Balance – December 31, 1999	22,648,771	9,308,270
For cash		
Conversion of warrants	555,555	250,000
In exchange for exploration and development properties	100,000	11,000
In exchange for licensing agreement	50,000	20,000
Balance – December 31, 2000	23,354,326	9,589,270
For cash	5,800,000	1,160,000
Balance – December 31, 2001	29,154,326	10,749,270

a) During the year ended December 31, 2001:

On October 26, 2001, the company issued 5,800,000 common shares in a private placement with Jipangu for total proceeds of \$1,160,000.

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- b) During the year ended December 31, 2000:
- i) On April 27, 2000, the company issued 100,000 common shares at a price of \$0.11 per common share as payment for the prepaid royalty on the Warrior property.
  - ii) On May 3, 2000, 555,555 warrants were exercised for an equal number of common share for proceeds of \$250,000. This amount was included in shares allotted but not issued at December 31, 1999.
  - iii) On September 6, 2000, the company issued 50,000 common shares at a price of \$0.40 per common share as payment for a license agreement classified as other deferred assets.

**Stock options outstanding**

The company has no formalized stock option plan. The following table summarizes information about the options at December 31, 2001 and 2000 and the changes for the years then ended

	2001		2000	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Options outstanding -				
Beginning of year	695,000	0.25	1,400,000	0.39
Granted	2,750,000	0.19	450,000	0.22
Exercised	-	-	-	-
Forfeited	(1,500,000)	0.19	(350,000)	0.34
Expired	(120,000)	0.20	(805,000)	0.33
Options outstanding and exercisable – End of year	1,825,000	0.20	695,000	0.25

The following table summarizes information about stock options outstanding and exercisable at December 31, 2001:

Range of exercise prices \$	Options outstanding	Weighted average remaining contracted life (year)	Weighted average exercise price \$
0.20	250,000	1.45	0.20
0.20	1,575,000	4.88	0.20
0.20	1,825,000	4.79	0.20

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**Share purchase warrants**

	Number of warrants	2001 Weighted average exercise price \$	Number of warrants	2000 Weighted average exercise price \$
Warrants outstanding -	2,444,445	0.45		
Beginning of year			4,940,445	0.42
Granted			-	-
Exercised			-	-
Expired	(2,444,445)	0.45	(2,496,000)	0.40
Warrants outstanding -				
End of year	-	-	2,444,445	0.45

**Escrow shares**

The number of shares held in escrow at December 31, 2001 was nil (2000 – 393,750). Approval for release of escrow shares was acquired from the Canadian Venture Exchange and the shares were released on August 24, 2001.

**11 Related party transactions**

During the year ended December 31, 2001, a fee of \$3,653 was paid to a former director, of which \$18,183 was included in accounts payable. During the year ended December 31, 2000, there were no related party transactions except as disclosed elsewhere in these consolidated financial statements.

**12 Income taxes**

The company has non-capital loss carry forwards of approximately \$3,898,000 that may be available for tax purposes. The losses expire as follows:

	\$
2002	223,000
2003	330,000
2004	710,000
2005	771,000
2006	920,000
2007	372,000
2008	572,000
	<u>3,898,000</u>

The company also has certain tax pools that may be available for tax purposes. The company has chosen not to recognize a future tax asset in relation to these amounts.

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**13 Segmented financial information**

The company operates in two segments: the care and maintenance (previously operation) of the Blackdome Mine in Canada and the exploration and development of gold properties in Canada and the USA.

	Blackdome Mine	Exploration in Canada	Exploration in USA	Exploration in Mexico	Corporate office	Total
	\$	\$	\$	\$	\$	\$
<b>December 31, 2001</b>						
Loss for the year	68,138	-	10,885	-	396,615	475,638
Total assets	885,211	263,311	1,367,543	-	118,403	2,634,468
Capital assets	762,346	262,311	1,368,543	-	57,281	2,450,481
Capital expenditures	28,446	855	48,357	-	8,074	85,732
Amortization	-	-	-	-	5,596	5,596
<b>December 31, 2000</b>						
Write-down of exploration and development property	-	-	43,222	142,893	-	186,115
Loss for the year	116,030	-	518,812	142,893	199,128	976,863
Total assets	852,794	262,456	1,335,001	-	76,744	2,526,995
Capital assets	733,900	261,456	1,320,186	-	54,804	2,370,346
Capital expenditures	10,529	18,457	98,821	66,475	1,220	195,502
Amortization	-	-	-	-	9,157	9,157

**14 Supplementary cash flow information**

During the years ended December 31, 2001 and 2000, the company conducted non-cash operating, investing and financing activities as follows:

	2001 \$	2000 \$
<b>Non-cash operating activities</b>		
Prepaid expenses	-	(10,000)
<b>Non-cash investing activities</b>		
Other deferred costs	-	(11,000)
Exploration and development properties	-	(11,000)
Reduction of mine property, plant and equipment on forgiveness of capital lease obligations	-	214,540
	-	192,540
<b>Non-cash financing activities</b>		
Repayment of convertible debenture and accrued interest satisfied by issue of shares	-	11,000
Shares issued for other deferred costs	-	11,000
Forgiveness of capital lease obligations	-	(214,540)
	-	(192,540)

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Interest paid during the years ended December 31, 2001 and 2000 was as follows:

	<b>2001</b>	<b>2000</b>
	<b>\$</b>	<b>\$</b>
Interest paid	3	35,299

**15. Subsequent events**

- a) Subsequent to the year end, the company received \$35,645 from Jipangu as additional funding in the form of a shareholder loan (note 8).
- b) Subsequent to December 31, 2001, the Company completed two private placements for the issuance of 1,470,000 units at prices ranging from \$0.20 to \$0.35 for proceeds of \$394,500 to the Company. Each unit consists of one common share and one share purchase warrant. One share warrant entitles the holder to acquire one common share of the Company at a price ranging from \$0.30 to \$0.50 on or before March 27, 2004

## **Corporate Data**

J-Pacific Gold Inc. is a public company trading on the Canadian Venture Exchange. The company is involved in mineral exploration and mine development in North America.

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D'Arcy Adam, Langley, British Columbia  
Driffield Cameron, Burlington, Ontario  
Nicholas T. Ferris, Vancouver, British Columbia  
John H. Mesrobian, Williamsburg, Virginia  
Kazuo Shuto, Tokyo, Japan

### **Officers**

Nicholas T. Ferris, President and Chief Executive Officer  
Ralph Braun, Chief Financial Officer  
Cheri Pedersen, DuMoulin Black, Secretary  
David R. Shaddrick – Chief Consulting Geologist

### **Registrar and Transfer Agent**

Pacific Corporate Trust Company

### **Banker**

Bank of Montreal

### **Legal Counsel**

DuMoulin Black, Vancouver, British Columbia

### **Stock Exchange**

Canadian Venture Exchange (CDNX)  
Symbol: JPN

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