



J-Pacific Gold Inc.



Annual Report 2003

J-Pacific Gold Inc.
Management Discussion and Analysis

**To Our
Shareholders**

Dear Shareholder,

The year 2002 proved to be a stellar year for gold investors. With the price of the yellow metal up by 27%, the gold sector was again the best performing sector for the year. Although the valuations of many gold companies posted triple digit returns in 2002, we at *J-Pacific* believe that the best is yet to come.

Indeed, despite substantial increases in market valuations during 2002, the share prices of publicly traded gold mining companies continue to have market valuations that understate the true value of their underlying mineral assets. The entire gold sector still has a valuation less than that of McDonald's Corporation. Therefore, we continue to believe that the gold sector remains a unique opportunity for the patient investor seeking undervalued opportunities.

Our bullish stance has been substantiated by the dramatic increase in demand for physical gold throughout the world. Over the past year gold has again assumed its role as a "safe haven" during difficult times. The increased demand for gold has been particularly strong throughout Asia, as consumers on the great continent have returned to gold as the traditional store of wealth.

The extended depression in the gold industry 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.

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 respected international geological consultants with whom we have established working relationships. We believe that this team has the ability to develop *J-Pacific* into a world-class gold exploration company.

In 2002, *J-Pacific* aggressively added to its portfolio by the acquisition of early-stage exploration properties in British Columbia and Nevada, all of which have the potential for large economic gold deposits. The Company took advantage of the improved financing environment and completed a series of equity financings, which included "flow-through" funds that enabled us to pursue four exploration programs in British Columbia. During the Year, *J-Pacific* filed its first "Annual Information Form", along with 43-101 compliant technical reports, and became a "Reporting Issuer".

In 2003, the Company intends to aggressively pursue exploration in BC and Nevada, while continuing to seek out interesting acquisition opportunities in mining friendly jurisdictions throughout North America. Our 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.

Financial Activities

From January 2002 to January 2003, *J-Pacific* raised a total of \$1,661,500 in seven private placements, including \$495,000 that qualifies as "flow-through" funding for purposes of the Income Tax Act (Canada). Thirty-two different

J-Pacific Gold Inc.
Management Discussion and Analysis

investors participated in these financings, including the CMP 2002 Resource Limited Partnership (\$200,000) and the Cordilleran Resources Limited Partnership (\$105,000) institutional “flow-through” funds. The CMP placement marked the first time in our corporate history that the *J-Pacific* attracted funding from a major institutional fund.

In June 2002, the *J-Pacific* filed its initial Annual Information Form and became a “Reporting Issuer”. This allows the Company to issue common shares with a minimum four-month hold period, and dramatically improves our ability to attract equity capital. This was clearly demonstrated in the successful equity financings completed during the fall of 2002.

During the year, the Company also received proceeds of \$104,000 from the exercise of warrants and incentive stock options.

In July 2002, *J-Pacific* contracted Reclamin of Bellefeuille, Quebec to perform a clean-up of the Blackdome mill. The gold recovered from the clean-up provided sales revenue to the Blackdome operation totaling \$25,978, of which 50% is recorded in the consolidated financial statements.

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.

Management and Board of Directors

During the past year Mr. David Shaddrick was appointed as Chief Consulting Geologist to *J-Pacific's* management team, and Mr. John H. Mesrobian was welcomed as a Director.

Since January 2000, *J-Pacific* has diligently assembled the necessary talent and projects, which we believe will make us a leader in the junior gold exploration sector.

Investor Relations

An important part of investor relations consisted of responding to inquiries from investors and shareholders. As well, the Company has frequently upgraded the *J-Pacific* Internet website to improve our ability to disseminate information to the investing public.

In 2002, Independent Equity Research Corp. (eResearch) of Toronto was commissioned to provide the investing public with independent research of the Company's activities. Typically, quality equity research and analysis of junior gold companies are unavailable to the public because the research departments of investment dealers usually focus on the issuers with far larger market capitalizations.

During 2002, the trading volumes and price of *J-Pacific's* common shares greatly improved over 2001, despite the trading activity slowdown in the junior sector during the second half of the year.

2001 vs. 2002 Trading Summary

Year	High	Low	Average Daily Volume
2001	\$0.14	\$0.05	12,000
2002	\$0.70	\$0.10	35,000

Future Plans

In 2002, *J-Pacific* acquired five early-stage exploration properties in British Columbia and Nevada, all of which have the potential for large economic gold deposits.

For 2003, the Company plans to initiate exploration on these projects, following the risk management methodology established by our technical team. As well, focus will be placed on expanding and upgrading the gold resource at the Blackdome Gold Mine, with the ultimate goal of returning the mine to production.

J-Pacific will continue to take advantage of interesting acquisition opportunities in mining friendly jurisdictions throughout North America.

The Company is planning to become a reporting issuer in the United States by filing a 20F submission in early 2003 to the US Securities and Exchange Commission. This is a critical first step in *J-Pacific's* acquisition of a NASDAQ Bulletin Board listing, which will improve market liquidity for our shares and allow the Company to seek out new sources of capital.

British Columbia, Canada

J-Pacific is preparing the Blackdome project for a resumption of exploration and development activities designed to enhance the current "drill-inferred" resource and to create new gold reserves. If successful with this work, *J-Pacific* intends to commission an independent feasibility study as a prelude to the resumption of mining.

Planned activities at Blackdome South in 2003 are designed to build on the initial work completed in 2002. The Company will carry out the geologic mapping and sampling programs necessary to define targets, which will then be tested by trenching and drilling.

In 2003, *J-Pacific* intends to further advance the Elizabeth project by trenching previously identified targets and, if warranted, by drilling to further define these targets. The Company also plans to extract a bulk sample for metallurgical testing.

Nevada, USA

In Nevada, the Company's 2003 exploration program will include work on four projects.

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 giant Pipeline/Cortez complex of deposits located on trend a few miles north of the property. The December 1999 news of the multi-million ounce Pediment gold discovery significantly enhanced the attractiveness of this *J-Pacific* property. Plans are being made for a limited exploration drilling program designed to penetrate the Robert's Mountain Thrust and test the underlying permissive carbonate units and structures for gold and associated alteration and mineralization.

J-Pacific's Callaghan project covers an area of known gold mineralization in a structural and stratigraphic setting permissive for the occurrence of world-class gold deposits. In 2003, the Company plans to complete limited geologic mapping and a rapid geophysical survey to refine our drill targeting. This work

will be followed by a limited drilling program designed to test these targets.

The Company's HC project is located a few miles from the Golden Trend Project in a geologic and structural setting interpreted to be similar to that of the world class Rain Gold Mine of Newmont Mining Corporation. *J-Pacific* plans to test this concept quickly and inexpensively by a geologic mapping and sampling program that will be followed by a limited drilling program. Success in this phase of the program will verify the occurrence of high probability targets for ongoing exploration.

The Company's RC project is located on the prolific Carlin Trend of northeastern Nevada. It covers a geologic and structural setting interpreted to be similar to that of the world class Rain Gold Mine of Newmont Mining Corporation. As with the HC project, *J-Pacific* plans to test this concept quickly and inexpensively by completing a program that will include geologic mapping and sampling followed by a limited drilling program. Success in this phase of the program will verify the occurrence of high probability targets for ongoing exploration.

California, USA

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 expeditious commencement of production. In 2002, the Company commissioned SRK Consulting to complete a 43-101 compliant technical report on the Zenda Gold Mine. Plans for 2003 include the commissioning of an independent third-party economic review leading to a bankable feasibility study.

Sincerely,



Nicholas T. Ferris
President and CEO

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 2002, the Company aggressively increased its asset base through the acquisition of a series of new exploration projects in British Columbia and Nevada by way of lease and earn-in agreements, and by staking.

In May 2002, the Company acquired the strategic high-grade Elizabeth Project in the Lillooet Mining District of British Columbia. In September 2002, the Company undertook an exploration program at Elizabeth that included 1,650 metres (5,413 feet) of diamond drilling, large-scale geochemical surveys and extensive surface and underground rock sampling.

In June 2002, the Company began an aggressive expansion of its land position at the Blackdome Gold Mine. This included creation of the Blackdome South Project by the staking of 341 units (8,525 hectares) contiguous to the south of the Blackdome Gold Mine. The entire land package held by *J-Pacific* in the Blackdome camp now exceeds 16,400 hectares.

In the spring of 2002, the Company acquired three early-stage exploration projects located in the prolific goldfields of northeast Nevada. The HC, RC and Callaghan Projects were acquired from experienced explorationists and have defined drill-targets.

In 1997, the Company acquired its second major project, the Zenda Gold Mine 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 well located on Nevada's prolific Battle Mountain trend, approximately five kilometers to the south of Placer Dome's Pediment project.

In 1994, the Company acquired a former high-grade gold producer, the Blackdome Gold Mine near Clinton, British Columbia. During 2001, the Blackdome project underwent an independent exploration-risk assessment review, which concluded that the mine area has significant potential to host additional ore bodies.

J-Pacific is a Tier 1 Company listed on the TSX Venture Exchange and trades under the symbol "JPN". Its head office is 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 In 2001, the Company was able to focus efforts on enhancing the value of existing properties and projects.

During 2002, each partner in the Blackdome Mine joint venture invested \$32,481 in exploration and development, which consisted primarily of a drill-sampling program of the Blackdome tailings facility. Also, the cost of maintaining the property dropped \$10,753 from 2002 to 2001 (\$29,416 between 2001 and 2000). The Company continues to ensure that the Blackdome operation remains a first class exploration and development camp. Details of the Blackdome Mining operation are included in Note 4 of the consolidated financial statements for 2002.

During 2002, the Company invested \$588,274 in exploration and development, \$411,749 in Canada and \$176,525 in the US. These amounts represent a total increase of \$539,062 over 2001, \$410,894 in Canada and \$128,168 in the US. The Company wrote off capitalized costs associated with the Alwin property, in the amount of \$262,661. All exploration activities follow a strict risk-management approach philosophy aimed at maximizing shareholder value while minimizing risk at each stage of project advancement. Details of exploration and development expenditures and properties are included in Note 5 of the consolidated financial statements for 2002.

Corporately, the Company maintains a lean operation and most services remain outsourced. Staff and consultant time is limited to administrative responsibilities and to advancing projects. Administratively, various expenses were higher in 2002 over 2001 due to increased corporate activity. Filing, government and stock exchange fees increased \$8,409 due to share capital activity. General and administrative costs increased \$77,056 due to a higher volume and scope of news releases, promotional activity, and consulting fees. Primarily, the Company worked to complete the filing of it's AIF (Canada) and the commencement of it's 20F filing (US). Legal and audit costs decreased \$16,355 year over year. Travel increased \$13,209 due to promotional trips to New York and Toronto by management and board members. Amortization expense consists only of capital assets (office, computer and leaseholds).

Equity transactions during 2002 included five private placements. The Company issued a total of 4,229,999 shares for total proceeds of \$1,215,500 including the exercise of incentive stock options and warrants. An additional 110,000 shares equaling consideration of \$45,100 were issued for properties. Subsequent to year-end, the Company completed two private placements issuing 1,375,000 shares for total proceeds of \$550,000. Financing is raised on an as needed basis, allowing the Company to maximize return in what is anticipated to be a long-term bull market in gold and gold shares. Details of equity transactions are included in Note 9 of the consolidated financial statements for 2002.

Summary of Properties and Projects

	Canada	United States
Major Property or Project	Blackdome Gold Mine Blackdome South Project Elizabeth Project	Golden Trend Project Callaghan Project HC Project RC Project Zenda Gold Mine

Blackdome Gold Mine
Clinton, British Columbia

The Blackdome Gold Mine 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 traveling 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 one kilometer out of the 375 kilometer long No. 1 and 2 Veins of the mineralized system between the 1870 and 1990-meter elevations. The mine was closed in May 1999 due to the prevailing low price of gold.

2002 Exploration Program

In March of 2002, the Company completed a drilling and analysis program of the tailings facility at the Blackdome Mine. Geoquest Consulting Ltd. of Vernon, BC, carried out the work and fifty-one holes were completed with 266 samples taken. ALS Chemex of North Vancouver carried out the assay work. The samples returned a calculated average grade of approximately 1.89 grams of gold per tonne. The Company estimates there are in excess of 335,000 tonnes of tailings in the facility, and plans to carry out preliminary metallurgical testing to determine the feasibility of further work on this potential resource.

Future Plans

The Company plans to resume exploration and development activities designed to expand the current "drill-inferred" resource. This work will begin with a comprehensive targeting study which will include plans and budgets for surface and underground drilling as well as drifting to test both known and newly identified target areas. This exploration will be followed, if warranted, by reserve definition activities including additional drilling and underground development. If successful in this work, *J-Pacific* intends to commission an independent feasibility study as a prelude to the resumption of mining.

Blackdome South Clinton Mining Division British Columbia

The Blackdome South Project is a "grass-roots" exploration project acquired by staking in the spring of 2002. This large land package consists of 8,525 hectares contiguous with the south boundary of the Blackdome Gold Mine property, in the Clinton Mining District of southwestern British Columbia.

2002 Exploration Program

During the fall of 2002, the Company commissioned extensive geologic reconnaissance and data compilation covering much of the Blackdome South property holding. This work has verified the existence of a geologic setting similar to that at the Blackdome Mine, and has identified one area of immediate interest based on previous geologic mapping and geochemical sampling.

Future Plans

The Company plans to bring the Blackdome South Project to the next stage of exploration and develop drill targets in the currently identified area of interest by detailed mapping, sampling and trenching. Mapping and geochemical sampling in other selected areas is expected to identify additional areas of interest.

Elizabeth Project
Lillooet Mining Division
British Columbia

The Elizabeth Project is an early stage exploration project located in southwestern British Columbia, in the Lillooet Mining District, approximately 30 kilometres northeast of the town of Goldbridge and the mining town of Bralorne. The 2,200-hectare property is situated along a tributary of the Yalakom River in steep, glaciated terrain between 2,100 and 2,500 metres in elevation.

Overview

The originally named Elizabeth Property, which consists of four crown granted mineral claims was optioned from Mr. David White and Mr. Tom Illidge in May 2002. At the same time, four surrounding mineral claims know as the "Blue Claims" were optioned from Mr. Tom Illidge. *J-Pacific* subsequently staked an additional 2 mineral claims, and collectively refers to this land package as the Elizabeth Project.

Access is by way of a road off the Yalakom River logging road. The 76 kilometres from Lillooet to the property can usually be driven in two hours. The property has good infrastructure with several roads accessing the old workings and the areas proposed for exploration, and a well maintained camp to accommodate exploration crews.

Given its proximity and easily upgradeable access to our permitted milling facility at the Blackdome Gold Mine, the Elizabeth Project is a strategic acquisition that highly complements our existing land position. The Company believes that the Elizabeth Project has the potential for early production following successful exploration. The high grades identified in several veins, combined with the existing infrastructure on the property, make the Elizabeth Project an attractive exploration target that can be rapidly advanced.

History

The Elizabeth claims date back to the 1930's with the discovery of gold bearing quartz veins along Blue Creek. In 1939, Mr. William White and Mr. Tom Illidge staked the Elizabeth Nos. 1-4 claims to cover the discovery area. Shortly after, Bralorne Gold Mines Ltd. optioned the property and acquired additional claims. Over the next nine years Bralorne constructed access infrastructure, built a camp and conducted surface and underground exploration. Between 1947 and 1949 ten surface and underground diamond drill holes totalling 790 metres were completed. High-grade gold mineralization was encountered in surface trenches and in drill holes. By 1949, Bralorne completed a 670 metre long crosscut from which several drifts were driven along the B and C Veins. Assay data for this work has not been located. Exploration on the property revealed at least six veins. On the adjacent Yalakom claim, the No.9 vein was also explored.

From 1956 to 1958, Bethlehem Copper drove an adit 180 metres above the elevation of the Bralorne workings, from which a 95 metre long drift explored the West (No.1) Vein. An 8 tonne bulk sample of West Vein material was shipped yielding 156 grams gold, 156 grams silver and minor lead and zinc. The property remained dormant until 1980 when Prism Resources conducted sampling and data compilation.

Blackdome Mining Corporation conducted the most recent work on the Elizabeth claims in 1990, which consisted of road upgrading,

rehabilitation of the upper and lower portals, and surveying and detailed surface and underground sampling of the West Vein. High-grade gold mineralization was delineated along the West Vein both on surface and in the upper adit. A program of diamond drilling was proposed, but Blackdome did not continue its program and the property was returned to the vendors.

2002 Exploration Program

In the fall of 2002, the Company commissioned an extensive mapping, sampling and drilling program at the Elizabeth project. In detail, the work included grid based geological mapping, the collection of 440 surface and underground samples and the drilling of sixteen diamond drill holes totaling 1,642 meters. This work confirmed the presence of high grade gold values in known quartz veins, demonstrated the continuity of the structures which host veins, and identified several new areas with potential for economic gold mineralization.

Future Plans

The Company plans to continue the exploration of the Elizabeth property by exposing, through trenching, at least one of the high potential zones identified in the 2002 program, by expanding the mapping and sampling to areas beyond the current grids. If warranted, the material excavated by the trenching will be used as a bulk sample for metallurgical testing.

Golden Trend Project Lander County, Nevada

Golden Trend is a promising early-stage exploration property located in northern 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 northeast 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. In 2002, the Company exercised its option to purchase the original 90 claims subject to the 3% NSR royalty.

The property is on the prolific Battle Mountain-Eureka Trend of northern Nevada. The 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 Golden Trend 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, creating an uplifted block of stratigraphy that brings the lower plate rocks closer to the surface. Roberts Mountain Thrust 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.

History

There is no record of work prior to the 1980's but there is evidence on the ground of significant trenching and shallow shaft sinking, which is apparently related to extensive barite mineralization on parts of the property. Several drill holes have been identified on the property, but there is no information on depth or rock types encountered. It is assumed that this work was completed in the 1950's and 1960's. In the early 1980's, Noranda Exploration located a large claim group, which included the entire current *J-Pacific* land holding. Noranda completed airborne geophysical surveys, limited geological mapping and sampling. A number of shallow reverse circulation drill holes were completed but none encountered mineralization or geochemically anomalous rocks. All the Noranda holes are beyond the upthrown block that is the current focus of the Company's efforts. Rubicon Resources Inc. acquired the property in 1993. Under an option agreement with Rubicon, Rocket Resources Ltd. of Vancouver B.C. completed grid based geophysics, geochemistry and geologic mapping.

The property was optioned to the Company in 1997. 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 2,220-acre 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.

Future Plans

The Company plans to carry out limited additional geologic mapping and sampling in an effort to define exploratory drill target locations. Minimal work programs are required to establish these targets. This work will be quickly followed by a series of drill holes designed to test these targets.

HC Project Eureka County, Nevada

The HC Project is an early-stage exploration property located in Eureka County, approximately 60 miles northwest of the town of Eureka, the county seat, and approximately 300 miles northeast of Reno. The HC Project lies within the prolific Battle Mountain-Eureka Gold Trend as described above. The Pipeline, Cortez, Horse Canyon and Buckhorn gold mines are all within a few miles of the HC Project, and it is roughly five miles east of the Company's Golden Trend project.

Overview

In June of 2002, the Company entered into a lease agreement with KM Exploration LLC of Elko, Nevada with an option to purchase 100% interest in twenty unpatented mining claims. The Company subsequently staked an additional thirty unpatented mining claims. Collectively these claims are referred to as the HC Project.

The property is located southeast of the Buckhorn and Horse Canyon Mines on the Battle Mountain-Eureka Gold Trend. The geological setting is similar to that of the Rain District on the southern Carlin Trend (4.5 million ounces gold).

The claims are underlain by a sequence of Devonian and Mississippian carbonate and clastic rocks. The Paleozoic rocks are cut by a high angle normal fault, which is interpreted to bring the contact between the Devonian Devil's Gate limestone and the Mississippian Chainman Formations to within a few hundred feet of the surface. This contact and the associated parts of the high-angle fault are a regionally permissive host for gold deposits. Geochemical anomalies and hydrothermal alteration characteristic of the "Rain Type" deposits have been identified and indicate the presence of a mineral system underlying the property.

History

There is little evidence of significant past exploration work on the property. A number of drill holes have been identified on the ground but none could have tested the target of this program.

Future Plans

In this area of increased exploration activity, the Company plans to carry out limited additional geologic mapping and sampling in an effort to further refine known drill targets which will be quickly followed by a series of drill holes designed to test these targets.

RC Project
Elko County, Nevada

The RC Project is an early-stage exploration property located at the south end of the highly prolific Carlin Gold Trend in Elko County, Nevada, approximately 30 miles south of Carlin.

Overview

In June of 2002, the Company entered into a lease agreement with KM Exploration LLC of Elko, Nevada with an option to purchase 100% interest in twenty unpatented mining claims. The Company subsequently staked an additional forty-one unpatented mining claims. Collectively these claims are referred to as the RC Project.

The property is within the southern extremity of the Carlin Trend, south of the Rain District (4.5 million ounces gold). The geological setting of the property is nearly identical to that of the deposits in the Rain District.

A sequence of Devonian and Mississippian age carbonate and clastic rocks, as well as minor Tertiary volcanic rocks underlie the claims. The Paleozoic rocks are cut by at least two sets of high angle faults. The north-south trending high angle faults bring the contact between the Devonian Devil's Gate limestone and the Mississippian Chainman Formations, which is a regionally permissive host for gold deposits, to within drilling distance of the surface. Geochemical anomalies and hydrothermal alteration characteristic of "Rain Type" deposits have been identified, and indicate the presence of a mineralizing system underlying the property.

History

There is very little evidence of major exploration programs on the property. The property vendors completed only limited reconnaissance mapping and sampling. In the vicinity, several major companies, including Phelps Dodge and MK Gold have completed drill programs, but no holes have tested the property's prime target.

Future Plans

The Company plans to carry out limited additional geologic mapping and sampling in an effort to refine the exploratory drill target locations. This work will be quickly followed by a series of drill holes designed to test these targets.

Callaghan Project
Lander County, Nevada

The Callaghan Project is an early-stage exploration property located southeast of Mount Callaghan in Lander County, Nevada, approximately 20 miles northeast of Austin, the county seat, and approximately 280 miles northeast of Reno.

Overview

In April 2002, the Company entered into a lease agreement with Mr. and Mrs. Joseph Kizis of Reno, Nevada with an option to purchase ten unpatented mining claims. The Company subsequently staked an additional 42 unpatented mining claims. Collectively these claims are referred to as the Callaghan Project.

The Callahan property is underlain by siliceous upper plate rocks of the Vinini Formation and a sequence of lower plate Cambrian, Ordovician and Silurian age rock which host gold deposits elsewhere in northern Nevada.

Geochemical anomalies, including gold, arsenic and mercury, and hydrothermal alteration characteristic of gold deposits in this region have been identified on the property. Previous drilling and geologic mapping have identified a structural and stratigraphic setting amenable to the development of significant ore deposits.

History

The Callaghan Project covers several areas of prior work, including significant localized drilling and trenching. Little data is available for work prior to 1988. The earliest known work on the property was carried out in the 1930's and consisted of sinking of a 60 foot deep shaft at the Rast Mine. A minor placer gold occurrence one half mile southeast of the Rast mine was also prospected in the 1930's. In 1969, Cache Creek Exploration Company of Reno explored the area around the Rast mine. Exploration programs followed this work on portions of the current property holding by Hanna Mining, Dome Exploration, and Houston Oil and Minerals. No data are available from any of these programs. From 1988 to 1990, Kerr McGee completed geologic mapping, soil and rock chip sampling and drilled ten reverse circulation holes. In 1993 and 1994 FMC conducted an extensive soil and sagebrush sampling program and drilled nine reverse circulation holes. Placer Dome leased the property in 1995 and 1996, and conducted an extensive airborne magnetometer survey over the project area. Storimin Resources leased the property in 1997, but did no significant work on the property before returning the property in May 1998. Kennecott leased the property later in 1998, drilled 6 widely spaced holes in the region, and returned the property in December 1998.

This work has documented geochemical anomalies in an under-explored structural and stratigraphic setting, which is permissive for the occurrence of structurally controlled replacement gold deposits.

Future Plans

The property is essentially drill ready, with several targets currently identified and additional targets expected from limited synthesis and interpretation of the existing data. The Company plans to carry out limited geologic mapping and geochemical sampling, a focused geophysical survey and the drilling of at least four reverse circulation rotary drill holes.

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, five days per week.

The resource 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 would contain the valley fill

heap leach pad. The 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 continue to rise.

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 by 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 resource size 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, however it is intended that Saga will be the project developer and operator of the mine.

In 2002, the Company commissioned SRK Consulting to complete a 43-101 compliant Technical Report on the Zenda Gold Mine.

Future Plans

In 2003, *J-Pacific* plans to commission an independent third-party economic review as a prelude to a bankable feasibility study.

J-Pacific Gold Inc.

**Consolidated Financial Statements
December 31, 2002 and 2001**



AUDITORS' REPORT

To the Shareholders of
J-Pacific Gold Inc.

We have audited the consolidated balance sheets of J-Pacific Gold Inc. as at December 31, 2002 and 2001 and the consolidated statements of loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years 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.

Vancouver, Canada

February 24, 2003

"Morgan & Company"

Chartered Accountants

J-Pacific Gold Inc.
Consolidated Balance Sheets
As at December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

	2002	2001
	\$	\$
Assets		
Current assets		
Cash	235,734	38,769
Accounts receivable	25,340	4,607
Prepaid expenses	7,732	21,648
	<hr/>	<hr/>
	268,806	65,024
Deposits (note 3)	114,500	118,963
Mine property, plant and equipment (note 4)	794,827	762,346
Exploration and development properties (note 5)	1,956,467	1,630,854
Other capital assets (note 6)	16,104	22,202
Other deferred costs	-	35,079
	<hr/>	<hr/>
	3,150,704	2,634,468
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	113,143	72,986
Provision for reclamation costs (note 3)	100,000	100,000
Shareholder loans (note 7)	123,911	39,896
	<hr/>	<hr/>
	337,054	212,882
	<hr/>	<hr/>
Shareholders' Equity		
Capital stock (note 9)	12,009,870	10,749,270
Contributed surplus	77,330	-
Deficit	(9,273,550)	(8,327,684)
	<hr/>	<hr/>
	2,813,650	2,421,586
	<hr/>	<hr/>
	3,150,704	2,634,468
	<hr/>	<hr/>

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.
Consolidated Statements of Loss and Deficit
For the years ended December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

	2002	2001
	\$	\$
Expense		
Amortization	7,256	5,596
Government, transfer agent and stock exchange fees	21,226	12,817
General and administrative	573,833	419,217
Write-off of exploration and development properties	262,661	-
Write-off of other deferred costs	35,079	-
Care and maintenance	57,386	68,139
	<u>957,441</u>	<u>505,769</u>
Loss from operations	(957,441)	(505,769)
Other income (expenses)		
Foreign exchange gain / (loss)	(3,055)	17,251
Recovery of prior year's expenses	-	11,817
Interest income	1,641	1,063
Other income	12,989	-
	<u>(945,866)</u>	<u>(475,638)</u>
Loss for the year	(945,866)	(475,638)
Deficit – Beginning of year	<u>(8,327,684)</u>	<u>(7,852,046)</u>
Deficit – End of year	<u>(9,273,550)</u>	<u>(8,327,684)</u>
Basic and diluted loss per share	<u>(0.03)</u>	<u>(0.02)</u>
Weighted average number of common shares outstanding	<u>31,171,513</u>	<u>24,418,984</u>

J-Pacific Gold Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2002 and 2001
(expressed in Canadian dollars unless otherwise stated)

	2002	2001
	\$	\$
Cash flows from (used in) operating activities		
Loss for the year	(945,866)	(475,638)
Items not affecting cash		
Amortization	7,256	5,596
Stock based compensation	77,330	-
Write-off of exploration and development properties	262,661	-
Write-off of other deferred costs	35,079	-
Recovery of prior year's expenses	-	(11,817)
Change in non-cash working capital items		
Accounts receivable	(20,733)	(1,192)
Prepaid expenses	13,916	5,081
Accounts payable and accrued liabilities	40,157	5,840
	<u>(530,200)</u>	<u>(472,130)</u>
Cash flows from (used in) financing activities		
Proceeds from the issue of common shares	1,215,500	1,160,000
Increase in shareholder loan	170,755	509,328
Repayment of shareholder loan	(86,741)	(1,080,240)
	<u>1,299,514</u>	<u>589,088</u>
Cash flows from (used in) investing activities		
Mine property, plant and equipment	(32,481)	(28,446)
Exploration and development properties	(543,174)	(49,212)
Reclamation deposits	4,463	(462)
Purchase of other capital assets	(1,157)	(8,073)
	<u>(572,349)</u>	<u>(86,193)</u>
Increase in cash	196,965	30,765
Cash – Beginning of year	<u>38,769</u>	<u>8,004</u>
Cash – End of year	<u>235,734</u>	<u>38,769</u>
Supplementary cash flow information (note 14)		

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

1 Going concern and nature of operations

The company has a working capital surplus of \$155,663 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 direct and indirect subsidiaries, Equinox Resources (Calif.) Inc., Golden Trend Resources 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.

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

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

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. Depreciation is provided on the straight line method as stated in note 6 over the estimated useful lives of the assets.

Stock based compensation

Effective January 1, 2002, the Company adopted the new CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which recommends a fair value based method of accounting for compensation costs. The new section also permits the use of the intrinsic value-based method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at date of grant, but requires pro-forma disclosure of earnings and earning per share as if the fair value method had been adopted. The Company has elected to adopt the intrinsic value-based method for employee awards. Any consideration paid by the option holders to purchase shares is credited to share capital.

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.

Loss per share

Basic 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. No shares were added to the weighted average number of common shares outstanding during the years ended December 31, 2002 and 2001 for the dilutive effect of employee stock options and warrants as they were all anti-dilutive.

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

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.

Flow-Through Shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Share capital is reduced and the future income tax liability is increased by the estimated cost of the renounced tax deductions. Draw downs of future income tax liabilities resulting from the timing differences on exploration expenditures renounced to investors have been credited to share capital.

3 Deposits

Deposits represent an amount receivable of \$100,000 (2001 - \$100,000) and bonds of \$14,500 (2001 - \$18,963) 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 with Jipangu 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:

	2002	2001
	\$	\$
Blackdome Mine		
Property costs	2,725	2,725
Mill	639,812	639,812
Plant and mining equipment	98,899	98,899
Development costs	53,391	20,910
	<u>794,827</u>	<u>762,346</u>

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

Agreement with Jipangu

During the years ended December 31, 2002 and 2001, 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 7).

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

	2002	2001
	\$	\$
Current assets	709	2,865
Long-term assets	804,827	772,346
Current liabilities	-	12,351
Long-term liabilities	100,000	100,000
Expenses	57,386	68,138
Cash flows from operating activities	(54,935)	(52,300)
Cash flows from financing activities	86,901	121,099
Cash flows for investing activities	(32,481)	(65,946)

5 Exploration and development properties

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

	2002				
	Acquisition	Deferred	Costs	Assets	Total
	\$	exploration	written off	sold	\$
		\$	during the	\$	\$
			year		
Zenda (a)	422,999	1,051,796	-	(283,885)	1,190,910
Alwin (b)	75,000	187,661	(262,661)	-	-
Golden Trend (c)	66,039	171,996	-	-	238,035
Callaghan (d)	-	35,230	-	-	35,230
RC (e)	8,516	33,181	-	-	41,697
HC (f)	8,516	30,679	-	-	39,195
Elizabeth (g)	40,700	240,646	-	-	281,346
Blackdome South (h)	-	106,702	-	-	106,702
Truax (i)	-	23,352	-	-	23,352
	621,770	1,881,243	(262,661)	(283,885)	1,956,467

	2001				
	Acquisition	Deferred	Costs	Assets	Total
	\$	exploration	written off	sold	\$
		\$	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
	564,038	1,350,701	-	(283,885)	1,630,854

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

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 a maximum of 2,050,000 common shares, of which 1,000,000 common shares have been issued. Under the terms of the agreement, the vendors are the operator and, upon the raising of financing by the Company, are 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 (2001 - \$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. As of December 31, 2002 the company wrote off its investment in Alwin.

c) Golden Trend Property

Golden Trend consists of 111 unpatented mining claims in Eureka County, Nevada. Of the 111 claims, 90 are subject to a 3% NSR of which 2% may be purchased. The Company must pay US \$10,000 each year as an advance royalty on the NSR. The company has issued 100,000 common shares against the property. To date, \$103,417 (2001 - \$87,713) of royalties have been prepaid against this obligation, and are included in deferred exploration costs.

d) Callaghan

Callaghan consists of a lease agreement with an option to purchase the ten unpatented claims of the Callaghan property in Lander County, Nevada. The claims are subject to a 3% NSR (net of federal and state royalties) of which 2% can be purchased. To date, \$7,973 of royalties have been prepaid against this obligation. Future advance minimum royalty ("AMR") payments are US\$5,000 in year two and three, US\$20,000 in year four, and US\$25,000 in year five and there after. The Company has an option to purchase 100% of the property for US\$20,000 after total expenditures of US\$500,000. The agreement with Mr. and Mrs. Joseph Kizis of Reno, Nevada includes 50 unpatented mining claims staked by the Company adjacent to the original ten. The agreement grants all mineral and mining rights to the property for a ten-year term, which is renewable for additional ten-year terms.

e) RC

On May 23, 2002, the Company entered into a lease agreement with an option to purchase the twenty unpatented claims of the RC Project, an early stage gold exploration project located in Elko County, Nevada. The agreement with KM Exploration LLC, a Nevada corporation ("KM") of Elko, Nevada includes forty-one unpatented mining claims staked by the Company adjacent to the original twenty. The agreement grants all mineral and mining rights to the property for a ten-year term, which is renewable for additional ten-year terms. The Company made a royalty payment of US \$8,470 upon signing the agreement and is to make additional AMR payments of US\$10,000 in years two, US\$15,000 in years three, US\$20,000 in year four, and US\$30,000 in year five and each subsequent year to maintain the agreement. The Company issued 20,000 shares upon

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

signing the agreement and is to issue an additional 30,000 shares at the first anniversary of the lease. Following the cumulative expenditure of US\$500,000, the Company has an option to purchase 100% of the property, subject to royalty payments, for US\$20,000. A three percent Net Smelter Royalty interest is retained by KM, of which two percentage points are purchasable by the Company for US\$1,000,000 per percentage point. The AMR payments are deductible from any production royalties that might be payable to KM, as are any federal and state royalties.

f) HC

On May 23, 2002, the Company entered into a lease agreement with an option to purchase the twenty unpatented claims of the HC Project, an early stage gold exploration project located in Eureka County, Nevada. The agreement with KM Exploration LLC, a Nevada corporation ("KM") of Elko, Nevada includes thirty unpatented mining claims staked by the Company adjacent to the original twenty. The agreement grants all mineral and mining rights to the property for a ten-year term, which is renewable for additional ten-year terms. The Company made a royalty payment of US \$8,470 upon signing the agreement and is to make additional AMR payments of US\$10,000 in years two, US\$15,000 in years three, US\$20,000 in year four, and US\$30,000 in year five and each subsequent year to maintain the agreement. The Company issued 20,000 shares upon signing the agreement and is to issue an additional 30,000 shares at the first anniversary of the lease. Following the cumulative expenditure of US\$500,000, the Company has an option to purchase 100% of the property, subject to royalty payments, for US\$20,000. A three percent Net Smelter Royalty interest is retained by KM, of which two percentage points are purchasable by the Company for US\$1,000,000 per percentage point. The AMR payments are deductible from any production royalties that might be payable to KM, as are any federal and state royalties.

g) Elizabeth

On May 23, 2002, the Company entered into option to purchase agreements for the four crown granted mineral claims known as the "Elizabeth Property" and for surrounding mineral claims known as the "Blue Claims" in the Lillooet Mining District, British Columbia, Canada. In October 2002, the Company staked an additional 24 mineral claims. Collectively, the claims are referred to as the "Elizabeth Project." The property is an early-stage exploration project, located roughly 35 kilometres northeast of the former gold mining town of Bralorne and 30 kilometres south of the Blackdome Gold Mine.

The option to purchase agreement for the Elizabeth Property crown grants was completed with Mr. David Davis White of Vancouver, British Columbia and Mr. Thomas Illidge of Goldbridge, British Columbia. The Company made a payment of \$10,000 upon signing the agreement and issued 50,000 common shares. To maintain the option, the Company is to make an additional cash payment of \$5,000 at the first anniversary of the agreement, issue 50,000 common shares at the first anniversary of the agreement, 50,000 shares upon the exercise of the option and 50,000 common shares upon the commencement of production. As well, beginning at the second anniversary of the agreement, the Company is to make AMR payments of \$10,000 per year, which are deductible from any production royalties. The agreement includes a \$500,000 exploration work commitment wherein \$200,000 is to be completed by December 31, 2003, \$150,000 by December 31, 2004, and \$150,000 by December 31, 2005. Mr. White and Mr. Illidge retain a four percent NSR interest, of which two percentage points are purchasable by the Company for \$1,000,000 per percentage point.

The option to purchase agreement for the Blue Claims was completed with Mr. Thomas Illidge. The Company made a payment of \$2,000 upon signing the agreement and issued 20,000 common shares. To maintain the option, the Company must issue 30,000 common shares at the first anniversary of the agreement and 50,000 shares upon the

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

exercise of the option. As well, beginning at the first anniversary of the agreement, the Company is to make AMR payments of \$5,000 per year, which are deductible from any production royalties. The agreement includes a \$500,000 exploration work commitment wherein \$50,000 is to be completed by December 31, 2003, \$150,000 by December 31, 2004, \$150,000 by December 31, 2005 and \$150,000 by December 31, 2006. Mr. Illidge retains a three percent NSR, of which two percentage points are purchasable by the Company for \$1,000,000 per percentage point.

In addition to the above terms, to complete the exercise of both option agreements, the Company must complete a feasibility study prepared by an independent mining engineer.

h) Blackdome South

During the late spring and summer of 2002, the Company staked a total of 341 mineral claim units contiguous to the south of the Blackdome Gold Mine project in the Clinton mining division of British Columbia. These new claims have been named the "Blackdome South" project and are held 100% by the Company.

i) Truax

In October of 2002, the Company staked a total of 94 mineral claim units contiguous in the historic Bridge River Mining Camp in the Lillooet mining division of British Columbia. These new claims are 100 % held by the Company

6 Other capital assets

2002				
	Amortization period	Cost \$	Accumulated amortization \$	Net \$
Computer hardware	3 years	38,318	30,919	7,399
Office equipment	7 years	25,361	19,771	5,590
Leasehold improvements	7 years	16,350	13,235	3,115
		80,029	63,925	16,104

2001				
	Amortization rate	Cost \$	Accumulated amortization \$	Net \$
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
		78,872	56,670	22,202

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

7 Shareholder loans

During the year ended December 31, 2002, shareholder loans in the amount of \$123,911 (2001 - \$39,896) were made to the company from Jipangu. Loans for \$70,000 and \$60,000 bear interest at a rate of 7.0% per annum accruing a total of \$2,323 during 2002. The balance of the loan amount is non-interest bearing. The loans are unsecured and have no fixed repayment terms. During 2002, \$168,432 was received from Jipangu (2001 - \$592,926). During the year, the shareholder loan was reduced by \$86,741 representing Jipangu's 50% interest in the Blackdome operation.

8 Commitments

Effective August 31, 2002, the company entered into an amended lease agreement for office space for a one year period expiring August 31, 2003. 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:

	Office	Vehicles
	\$	\$
2003	23,998	4,480

9 Capital stock

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

Issued and outstanding:

	Number of	Amount
	shares	\$
Balance – December 31, 2000	23,354,326	9,589,270
Shares issued for cash	5,800,000	1,160,000
Balance – December 31, 2001	29,154,326	10,749,270
Shares issued for cash	3,859,999	1,111,500
Options exercised	270,000	54,000
Warrants exercised	100,000	50,000
Shares issued for properties	110,000	45,100
Balance – December 31, 2002	33,494,325	12,009,870

a) During the year ended December 31, 2002:

- I) On February 21, 2002 and March 27, 2002, private placements were completed in the amounts of \$160,000 (800,000 shares) and \$234,500 (670,000 shares) respectively. Both private placements came with warrants at a price of \$0.30 and \$0.50 respectively with a two year expiry date.
- II) During the month of April 2002, employees, a former director, and contractors exercised a total of 250,000 options for proceeds of \$50,000.
- III) On June 21, 2002, Jipangu Inc. exercised 100,000 warrants obtained in the March 27, 2002 private placement for proceeds of \$50,000.
- IV) On May 23, 2002 the company entered into an agreement to acquire mineral rights. As part of the acquisition of these rights, 110,000 shares were issued from treasury with a market value of \$45,100. Regulatory approval for these shares was received July 19, 2002.
- V) On September 4, 2002, a contractor exercised 20,000 options for proceeds of \$4,000.

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

- VI) On September 30, 2002, the Company completed a private placement in the amount of \$200,000.10 (666,667 flow-through shares). The private placement came with warrants priced between \$0.30 and \$0.50 with a two year expiry date.
- VII) On October 11, 2002, the Company completed a private placement in the amount of \$411,999.60 (1,373,332 shares of which 633,332 were flow through shares). The private placement came with warrants priced between \$0.30 and \$0.50 with a two year expiry date.
- VIII) On October 30, 2002, the Company completed a private placement in the amount of \$105,000 (350,000 flow-through shares).

b) 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.

10 Stock options and warrants outstanding

The company has no formalized stock option plan. The following table summarizes information about the options at December 31, 2002 and 2001 and the changes for the years then ended

	2002		2001	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Options outstanding -				
Beginning of year	1,825,000	0.20	695,000	0.25
Granted	600,000	0.37	2,750,000	0.19
Exercised	(270,000)	0.20	-	-
Forfeited	-	-	(1,500,000)	0.19
Expired	-	-	(120,000)	0.20
Options outstanding -				
End of year	2,155,000	0.25	1,825,000	0.20

The following table summarizes information about stock options outstanding and exercisable at December 31, 2002:

Exercise price \$	Options outstanding	Weighted average remaining contracted life (years)	Weighted average exercise price \$
0.20	1,705,000	3.58	0.20
0.28	150,000	4.10	0.28
0.50	300,000	1.28	0.50
	2,155,000	3.30	0.25

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

Stock based compensation

The Company has elected to adopt the intrinsic value-based method for employee awards according to the CICA Handbook Section 3870. Any consideration paid by the option holders to purchase shares is credited to share capital.

In fiscal 2002, the fair value of each option granted to employees and directors has been estimated as of the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 3.20%; dividend yield 0%; volatility of 157%; and 4.10 years of expected lives (weighted average term to maturity). The weighted average fair value of options granted as of December 31, 2002 is \$0.18.

Based on the computed option values and the number of options issued to employees and directors, had the Company recognized compensation expense, the following would have been its effect on the Company's loss for the year and loss per share:

	2002
	\$
Loss for the year (as reported)	(945,866)
Pro-forma	<u>(1,000,319)</u>
Basic loss per share (as reported)	(0.03)
Pro-forma	<u>(0.03)</u>

Share purchase warrants

	Number of	2002	Number of	2001
	warrants	Weighted	warrants	Weighted
		average		average
		exercise		exercise
		price		price
		\$		\$
Warrants outstanding -	-	-	2,444,445	0.45
Beginning of year			-	-
Granted	3,740,166	0.45	-	-
Exercised	(100,000)	0.50	-	-
Expired	-	-	(2,444,445)	0.45
Warrants outstanding -				
End of year	<u>3,640,166</u>	<u>0.44</u>	-	-

The following table summarizes information about warrants outstanding and exercisable at December 31, 2002:

Exercise	Warrants	Weighted average	Weighted
price	outstanding	remaining	average
\$		contracted life	exercise price
\$		(years)	\$
0.30	1,030,167	1.28	0.30
0.50	2,609,999	1.65	0.50
	<u>3,640,166</u>	<u>1.55</u>	<u>0.44</u>

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

11 Related party transactions

During the year ended December 31, 2002, fees totaling \$90,999 were paid to officers of the company of which \$15,603 is included in accounts payable at December 31, 2002. During the year ended December 31, 2001, a fee of \$3,653 was paid to a former director and officer, and an additional \$18,183 was included in accounts payable.

12 Income taxes

	2002	2001
	\$	\$
Loss for the year	(945,866)	(475,638)
Statutory income tax rate	40%	45%
Expected income tax (recovery)	(378,346)	(214,037)
Increase in valuation allowance	378,346	214,037
Income tax	<u>-</u>	<u>-</u>

The significant components of the Company's future tax liability are as follows:

	2002	2001
	\$	\$
Operating losses	1,738,000	1,754,000
Accounting value of mineral property interest in excess of tax values	198,000	-
	<u>1,936,000</u>	<u>1,754,000</u>
Valuation allowance for future tax assets	(1,738,000)	(1,754,000)
Future income tax liability	198,000	-
Draw down of future income tax liability	(198,000)	-
	<u>-</u>	<u>-</u>

The company has non-capital loss carry forwards of approximately \$4,345,536 that may be available for tax purposes. The potential benefit of these losses has not been recognized as a future income tax benefit, as currently these amounts are less than likely to be realized. The losses expire as follows:

	\$
2003	330,000
2004	710,000
2005	771,000
2006	920,000
2007	372,000
2008	572,000
2009	670,000
	<u>4,345,000</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.

J-Pacific Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

(expressed in Canadian dollars unless otherwise stated)

13 Segmented financial information

The company operates in two segments: the care and maintenance 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	Corporate office	Total
	\$	\$	\$	\$	\$
December 31, 2002					
Loss for the year	44,224	262,661	11,951	627,030	945,866
Total assets	905,536	415,900	1,552,576	276,692	3,150,704
Capital assets	794,827	411,400	1,545,067	16,104	2,767,398
Capital expenditures	32,481	411,750	176,524	1,157	621,912
Amortization	-	-	-	7,256	7,256
December 31, 2001					
Loss for the year	68,138	-	10,885	396,615	475,638
Total assets	875,211	263,311	1,377,543	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	8,073	85,731
Amortization	-	-	-	5,596	5,596

14 Supplementary cash flow information

During the years ended December 31, 2002 and 2001, the company conducted non-cash operating, investing and financing activities as follows:

	2001	2000
	\$	\$
Non-cash financing activities		
Shares issued for property	45,100	-

Interest paid during the years ended December 31, 2002 and 2001 was as follows:

	2002	2001
	\$	\$
Interest paid	2,825	3

15. Subsequent events

- a) Subsequent to December 31, 2002, the company issued 700,000 options to directors and officers with an exercise price of \$0.70 expiring January 15, 2008.
- b) Subsequent to December 31, 2002, the Company completed two private placements for the issuance of 1,375,000 units at \$0.40 for proceeds of \$550,000 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 of \$0.60 on before January 31, 2005.
- c) On January 23, 2003, 5,000 options were exercised for proceeds of \$1,000.
- d) On February 24, 2003, 75,000 options expired unexercised.

Corporate Data

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

Head Office

Suite 1440 – 1166 Alberni Street
Vancouver, B.C. V6E 3Z3
Telephone: (604) 684-6677
Fax: (604) 684-6678
Toll free for Investor Relations: 1-888-236-5200
Email: ir@jpgold.com
Web site: www.jpgold.com

Directors

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

TSX Venture Exchange (TSX)
Symbol: JPN



TSX.V: JPN
Find out more at www.jpgold.com