

**GOLDEN TAG RESOURCES LTD.**

**FINANCIAL STATEMENTS**

**AT DECEMBER 31, 2001**

## **AUDITORS' REPORT**

To the Shareholders of,  
**GOLDEN TAG RESOURCES LTD.**

We have audited the balance sheets of **GOLDEN TAG RESOURCES LTD.** as at December 31, 2001 and 2000 and the statements of operations and deficit and cash flows for the two years then ended. These financial statements are the responsibility of the corporation'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 financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2001 and 2000 and the results of its operations and cash flows for the two years then ended in accordance with Canadian generally accepted accounting principles.

Signed by : Wasserman Stotland Bratt Grossbaum

**CHARTERED ACCOUNTANTS.**

Montreal, Quebec.  
March 15, 2002.

**GOLDEN TAG RESOURCES LTD.**

**BALANCE SHEET  
AT DECEMBER 31, 2001**

	<u>2001</u>	<u>2000</u>
	\$	\$
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	2,968	29,477
Accounts receivable	<u>2,892</u>	<u>6,065</u>
	5,860	35,542
MINING PROPERTIES AND DEFERRED COSTS (Note 3)	<u>465,764</u>	<u>465,764</u>
	<u>471,624</u>	<u>501,306</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>17,152</u>	<u>13,243</u>
<b>SHAREHOLDERS' EQUITY</b>		
CAPITAL STOCK (Note 4)	2,552,386	2,503,431
CONTRIBUTED SURPLUS	2,660	2,660
DEFICIT	<u>(2,100,574)</u>	<u>(2,018,028)</u>
	<u>454,472</u>	<u>488,063</u>
	<u>471,624</u>	<u>501,306</u>

Approved on Behalf of the Board:

Signed by Marc A. Carrier , DIRECTOR

Signed By Bruce Robbins, DIRECTOR

See accompanying notes to  
financial statements.

**GOLDEN TAG RESOURCES LTD.**

**STATEMENT OF OPERATIONS AND DEFICIT  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>2001</b>	<b>2000</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>		
Interest income	205	22
Gain (loss) on foreign exchange	8	15
	213	37
<b>EXPENSES</b>		
Write-off due to abandonment of properties	-	224,070
Professional and consulting fees	25,873	8,925
Listing, filing and transfer agency fees	9,066	8,491
Office services, rent and sundry	13,120	31,050
Management and consulting fees	28,000	32,500
Printing, promotion, shareholder information and travel	6,700	3,823
	82,759	308,859
<b>NET LOSS</b>	82,546	308,822
Deficit - beginning of year	2,018,028	1,709,206
<b>DEFICIT - END OF YEAR</b>	2,100,574	2,018,028
<b>LOSS PER SHARE</b>	.01	.04
<b>WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES</b>	8,391,598	7,873,855

See accompanying notes to  
financial statements.

**GOLDEN TAG RESOURCES LTD.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>2001</u>	<u>2000</u>
	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Net loss	(82,546)	(308,822)
Adjustments for:		
Write-off due to abandonment of properties	-	224,070
Changes in non-cash components of working capital	7,082	2,823
	<u>(75,464)</u>	<u>(81,929)</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Mining claims acquired	-	(527)
Exploration expenditures deferred	-	(6,010)
	<u>-</u>	<u>(6,537)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of shares on the exercise of stock options	48,955	90,000
	<u>48,955</u>	<u>90,000</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(26,509)	1,534
Cash and cash equivalents - beginning of year	29,477	27,943
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>2,968</u>	<u>29,477</u>

See accompanying notes to  
financial statements.

**GOLDEN TAG RESOURCES LTD.**

**STATEMENT OF MINING PROPERTIES AND DEFERRED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>2001</u>	<u>2000</u>
	\$	\$
BALANCE - BEGINNING OF YEAR	<u>465,764</u>	<u>683,297</u>
EXPENDITURES INCURRED DURING THE YEAR		
Geophysical surveys	-	4,320
Line cutting	<u>-</u>	<u>1,690</u>
	-	6,010
Mining properties	-	527
Write-off due to abandonment of properties	<u>-</u>	<u>(224,070)</u>
	<u>-</u>	<u>(217,533)</u>
BALANCE - END OF YEAR	<u>465,764</u>	<u>465,764</u>

See accompanying notes to  
financial statements.

**GOLDEN TAG RESOURCES LTD.**

**NOTES TO FINANCIAL STATEMENTS  
AT DECEMBER 31, 2001**

**1. NATURE OF OPERATIONS**

The Corporation is in the process of exploring its mining properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The carrying value of the mining properties represent only the total of costs capitalized, and is not intended to reflect either present or future value.

The recoverability of amounts shown for mining properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mining claims, the ability of the Corporation to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The Corporation holds the majority of its mining properties jointly with others. In order to maintain its existing interest in these properties, the Corporation is required to fund its proportionate share of future exploration programs carried out on the claims.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Mining Properties and Deferred Costs -**

The costs of mining properties and deferred costs are capitalized until the results of the projects are known. If a project is successful, the related expenditures will be amortized over a period of years pro-rata to anticipated income. If a project is abandoned, the related expenditures will be written off. A grant received or sale of an interest in claims is credited directly to expenditures until such time as all related expenditures are recovered. Direct costs incurred to maintain claims are capitalized.

**Administrative Expenditures -**

Administrative expenditures are charged to operations in the year when they are incurred.

**Use of Estimates -**

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

**Financial Instruments -**

The fair value of all of the Corporation's financial instruments approximates the carrying value unless otherwise noted. Cash, accounts receivable and accounts payable and accrued liabilities are non-interest bearing.

**GOLDEN TAG RESOURCES LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2001**

**3. MINING PROPERTIES AND DEFERRED COSTS**

(a) The Corporation currently maintains the following mining properties:

	<u>2000</u>	<u>Expenditures</u>	<u>Disposals/ Write-offs</u>	<u>2001</u>
	\$	\$	\$	\$
<b><u>QUEBEC</u></b>				
<b>Verneuil Township</b>				
Property acquisition costs	162,652	-	-	162,652
Option payments received	(42,000)	-	-	(42,000)
Deferred exploration expenditures	233,044	-	-	233,044
Government grant	(7,835)	-	-	(7,835)
	<u>345,861</u>	<u>-</u>	<u>-</u>	<u>345,861</u>
<b>Souart Township, Quebec</b>				
Property acquisition costs	527	-	-	527
Option payments received	(10,000)	-	-	(10,000)
Deferred exploration expenditures	112,592	-	-	112,592
Government grant	(3,216)	-	-	(3,216)
	<u>99,903</u>	<u>-</u>	<u>-</u>	<u>99,903</u>
<b><u>ONTARIO</u></b>				
<b>Dome Township</b>				
Property acquisition costs	40,000	-	-	40,000
Option payment received	(20,000)	-	-	(20,000)
	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
	<u>465,764</u>	<u>-</u>	<u>-</u>	<u>465,764</u>

(b) **Verneuil Township, Quebec**

The Corporation holds interests in various mining claims in Verneuil Township as follows:

- (i) A 30% interest in a group of 46 claims. The remaining interests are held 50% by Freewest Resources Canada Inc. and 20% by Goldhawk Resources Inc.. Subject to a ½% net smelter royalty (NSR).
- (ii) By an agreement dated August 18, 1992, the Corporation acquired the option to earn a 30% interest in the option held by Freewest Resources Canada Inc. to acquire a group of 22 claims. Subject to a 2% NSR.
- (iii) A 100% interest in a group of 24 claims. Subject to a 1% NSR.

**GOLDEN TAG RESOURCES LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2001**

**3. MINING PROPERTIES AND DEFERRED COSTS (Cont'd.)**

**(c) Souart Township, Quebec**

The Corporation holds a 100% interest in a group of 24 claims in the Souart Township. Subject to a 1½% NSR.

**(d) Dome Township, Ontario**

The Corporation holds a 100% interest in 3 mining claims. Subject to a 2% NSR.

By agreement dated November 4, 1997, the Corporation optioned to Rubicon Minerals Corporation a 50% interest in the 3 claims at the following terms and conditions:

- \$30,000 cash payment.
- \$50,000 in exploration work on the property by August 1, 1998 (completed); an additional \$50,000 by the 1st anniversary date of the option agreement (completed); an additional \$150,000 in exploration work by the 2nd anniversary date of the option agreement (completed); an additional \$200,000 in exploration work by the 3rd anniversary date of the option agreement (completed).

**4. CAPITAL STOCK**

**(a)** The authorized and issued capital stock of the Corporation consists of the following:

**Authorized:** 25,000,000 shares without par value.

		2 0 0 1		2 0 0 0	
		#	\$	#	\$
<b>Allotted:</b>	<b>Issued and</b>	8,647,625	2,552,386	8,247,625	2,503,431

During the year, the corporation issued 400,000 shares resulting from the exercise of stock options for a total cash consideration of \$48,955.

**(b)** Options

	# of Common Shares	Exercise Price	Expiry Date
Senior executives, directors and employees	100,400	0.14	November 1, 2005
	792,045	0.11	September 1, 2005
	357,080	0.15 +	April 30, 2002 and
		0.16	December 20, 2004

**GOLDEN TAG RESOURCES LTD.**

**NOTES TO FINANCIAL STATEMENTS  
AT DECEMBER 31, 2001**

**5. RELATED PARTY TRANSACTIONS**

Remuneration of Directors and Senior Officers

- Management and administration fees of \$28,000 were paid in the year to a private company controlled by a director (2000 - \$32,500).
- Secretarial fees of \$4,500 were paid in the year (2000 - \$18,500).

**6. INCOME TAXES**

The corporation has unclaimed deductions arising from exploration and development expenditures which exceed the amounts recorded in the accounts and which may be applied against future earnings in the calculation of income taxes payable. The future income tax benefit which may result from the deduction of such amounts has not been recorded in its accounts.

GOLDEN TAG RESOURCES LTD.

**MANAGEMENT DISCUSSION:**

**REPORT TO SHAREHOLDERS:**

On behalf of the Board of Directors, I am pleased to present the 2001 Annual Report to shareholders including the financial statements for the fiscal year ending December 31, 2001.

Important advances were made on the Company's McCuaig project in Red Lake, Ontario during the period. As mentioned in last years annual report, hole MC-01-02 from the 2001 winter drill program returned several anomalous gold assays, the best of which were 13.11 g/t Au over 0.30 meters and 7.45 g/t Au over 0.25 meters. In April 2002, Rubicon, as part of a new agreement in our joint-venture relationship, completed a second phase 26 hole drill program. Thirteen of these holes tested the gold-bearing structure first intersected during 2001 in hole MC-01-02. The results from this second phase drill program include 75.91 g/t Au over 0.70 meters in hole MC-02-32, part of an interval grading 22.83 g/t Au over 3.1 meters. The management of the Company and our partners at Rubicon consider the results from the latest program to be very significant.

While future work to be completed on the McCuaig property remains to be confirmed by the joint-venture partners, preliminary discussions with Rubicon have centered on a work plan for the summer of 2002 that includes a proposed drill program targeting the southwest plunge extension of the main gold zone.

The Company, in lieu of completing a financing to fund its commitment on the McCuaig project, made an agreement with Rubicon whereby they could earn an additional 10% interest in the project (resulting in holding a 60% interest) by spending a net amount of \$522,000 in drilling related expenses, which they incurred to complete Phase 2 of the recent drilling program. While this drill program has resulted in great success, we are asking shareholders to again this year approve a resolution to issue shares so that the Company may have the latitude to raise capital to fund future exploration including that to be done on the McCuaig property and for general working purposes. Please refer to the accompanying Management Proxy Circular for more information.

We thank shareholders for their continued support.

On behalf of the Board of Directors,

Marc A. Carrier  
President

May 13, 2002

GOLDEN TAG RESOURCES LTD.

**SCHEDULE B**

**CORPORATE PROFILE :**

Golden Tag Resources Ltd. is a Canadian mineral resources exploration company whose primary focus is on the acquisition, exploration, and development of gold and base metal deposits in North America.

Golden Tag was incorporated in September, 1980 in the Province of British Columbia and was continued under the Canada Business Corporations Act in 1995. The Company has 8.2 million shares issued, which are broadly held. The shares are listed on the Canadian Venture Exchange and have traded on a continuous basis since 1982 under the symbol "GOG".

The Company maintains a list of investors interested in receiving company news releases by mail, fax, or email. Information is also available on Golden Tag's website at [www.goldentag.ca](http://www.goldentag.ca)

**BOARD OF DIRECTORS**

**MARC A. CARRIER**

Beaconsfield, Quebec  
President and Director

**JAMES E. TILSLEY**

Aurora, Ontario  
Director

**BRUCE ROBBINS**

Ste. Agathe-des-Monts, Quebec  
Director

**LEGAL COUNSEL**

**LANG MICHENER**

Vancouver, British Columbia

**AUDITOR**

**WASSERMAN, STOTLAND, BRATT, GROSSBAUM**

Montreal, Quebec

**TRANSFER AGENT**

**COMPUTERSHARE**

Vancouver, British Columbia

**SHARE LISTING**

**THE CANADIAN VENTURE EXCHANGE**

Symbol "GOG"

**ESCROW OUTSTANDING**

There are no escrow shares outstanding.

**OPTIONS OUTSTANDING**

There is a total of 579,525 options outstanding: 233,125 options at an exercise price of \$0.11 till September 1, 2005; 86,000 options at an exercise price of \$0.15 till June 1, 2002; 160,000 at an exercise price of \$0.16 till Dec. 20, 2004 and 100,400 at an exercise price of \$0.14 Till Nov 1, 2005.

**CAPITAL STOCK**

Authorized : 25,000,000  
Issued : 9,317,625

**HEAD OFFICE**

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