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# WHITE KNIGHT RESOURCES LTD.

SECOND QUARTER REPORT

FOR THE

SIX MONTH PERIOD ENDED

DECEMBER 31, 2002



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**White Knight Resources Ltd.**  
**CONSOLIDATED BALANCE SHEETS**  
 (Prepared by management without audit)  
 Canadian Funds

**Schedule A**  
**Statement 1**

|  | <u>December 31 2002</u>    | <u>June 30 2002</u>        |
|--|----------------------------|----------------------------|
| <b>ASSETS</b>                              |                            |                            |
| <b>Current</b>                             |                            |                            |
| Cash                                       | \$ 150,549                 | \$ 508,667                 |
| Accounts receivable                        | 19,086                     | 4,404                      |
| Deposits and prepaid expenses              | 8,401                      | 11,229                     |
| Reclamation bond – current                 | <u>78,880</u>              | <u>11,229</u>              |
|  | 256,916                    | 524,300                    |
| <b>Mineral properties (Note 3)</b>         | <b>1,110,553</b>           | <b>959,194</b>             |
| <b>Deferred exploration costs (Note 4)</b> | <b>443,721</b>             | <b>407,982</b>             |
| <b>Reclamation bonds</b>                   | <b>163,260</b>             | <b>232,930</b>             |
| <b>Fixed assets (Note 5)</b>               | <b><u>7,994</u></b>        | <b><u>9,484</u></b>        |
|  | <b><u>\$ 1,982,444</u></b> | <b><u>\$ 2,133,890</u></b> |
| <b>LIABILITIES</b>                         |                            |                            |
| <b>Current</b>                             |                            |                            |
| Accounts payable and accrued liabilities   | \$ 6,291                   | \$ 49,478                  |
| Due to related parties (Note 6)            | <u>31,184</u>              | <u>6,379</u>               |
|  | 37,475                     | 55,857                     |
| <b>Non-Current</b>                         |                            |                            |
| Due to related parties (Note 6)            | <u>118,874</u>             | <u>84,322</u>              |
|  | 156,349                    | 140,179                    |
| <b>SHAREHOLDERS' EQUITY</b>                |                            |                            |
| Share Capital (Note 7)                     | 11,482,170                 | 11,482,170                 |
| Deficit                                    | <u>(9,656,075)</u>         | <u>(9,488,459)</u>         |
|  | <u>1,826,095</u>           | <u>1,993,711</u>           |
|  | <b><u>\$ 1,982,444</u></b> | <b><u>\$ 2,133,890</u></b> |

On behalf of the Board:

"John M. Leask"  
 Director

"Megan M. Cameron-Jones"  
 Director

The accompanying notes are an integral part of these financial statements.

White Knight Resources Ltd.  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
 (Prepared by management without audit)  
 For the period ending December 31  
 Canadian Funds

Schedule A  
 Statement 2

|  | 2002             |                  | 2001                |                     |
|--|------------------|------------------|---------------------|---------------------|
|  | Quarter to Date  | Year to Date     | Quarter to Date     | Year to Date        |
| <b>EXPENSES</b>                                  |                  |                  |                     |                     |
| Amortization                                     | \$ 745           | \$ 1,489         | \$ 341              | \$ 1,860            |
| Audit  | 11,550           | 11,550           | 11,150              | 11,150              |
| Banking charges & interest                       | 218              | 552              | 282                 | 518                 |
| Consulting & technical                           | 15,053           | 29,546           | 12,590              | 24,838              |
| General corporate expenses                       | 4,029            | 5,859            | 1,790               | 3,196               |
| Investor relations & shareholder information     | 6,019            | 15,176           | 6,408               | 6,590               |
| Legal  | 7,277            | 14,878           | 1,584               | 3,877               |
| Management fees                                  | 12,000           | 24,000           | 12,000              | 24,000              |
| Rent   | 3,056            | 6,112            | 2,956               | 5,912               |
| Telephone  | 1,785            | 2,699            | 2,392               | 4,288               |
| Transfer agent & listing fees                    | 3,206            | 4,071            | 4,847               | 5,384               |
| Travel and entertainment                         | 446              | 453              | 1,287               | 2,481               |
| <b>LOSS BEFORE UNDER-NOTED ITEMS</b>             | <b>65,384</b>    | <b>116,385</b>   | <b>57,627</b>       | <b>94,094</b>       |
| Interest   | (1,990)          | (4,582)          | (4,601)             | (11,891)            |
| Gain on foreign exchange                         | (7,204)          | (24,197)         | (4,851)             | (39,593)            |
| Option payments received (net)                   | 12,560           | 15,830           | (492)               | (44,902)            |
| Gain on disposal of assets                       |                  |                  | (27,218)            | (27,218)            |
| Write-off of exploration costs                   | 33,928           | 64,180           | 13,032              | 61,195              |
| <b>LOSS FOR THE PERIOD</b>                       | <b>102,678</b>   | <b>167,616</b>   | <b>33,497</b>       | <b>31,685</b>       |
| <b>DEFICIT, BEGINNING OF PERIOD</b>              | <b>9,553,397</b> | <b>9,488,459</b> | <b>7,807,464</b>    | <b>7,809,276</b>    |
| <b>DEFICIT, END OF PERIOD</b>                    | <b>9,656,075</b> | <b>9,656,075</b> | <b>\$ 7,840,961</b> | <b>\$ 7,840,961</b> |
| <b>BASIC &amp; DILUTED LOSS PER COMMON SHARE</b> | <b>\$ 0.004</b>  | <b>\$ 0.006</b>  | <b>\$ 0.000</b>     | <b>\$ 0.000</b>     |

The accompanying notes are an integral part of these financial statements.

White Knight Resources Ltd.  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 (Prepared by management without audit)  
 For the period ending December 31  
 Canadian Funds

Schedule A  
 Statement 3

|                             |  | 2002            |              | 2001            |              |
|-----------------------------|--|-----------------|--------------|-----------------|--------------|
|                             |  | Quarter to Date | Year to Date | Quarter to Date | Year to Date |
| <b>Cash Flows From</b>      |  |                 |              |                 |              |
| <b>Operating Activities</b> | Loss for the period                                  | \$ (102,678)    | \$ (167,616) | \$ (33,497)     | \$ (31,685)  |
|                             | Amortization   | 745             | 1,489        | 341             | 1,860        |
|                             | Write-off of exploration costs                       | 33,928          | 64,180       | 13,032          | 61,195       |
|                             | Changes in non-cash working capital                  |                 |              |                 |              |
|                             | Decrease (increase) in accounts receivable           | (18,493)        | (14,682)     | 97              | 229          |
|                             | Decrease (increase) in deposits and prepaid expenses | (78,087)        | (76,052)     | (101)           | 130          |
|                             | Decrease in a/p and accr. liabilities                | (8,095)         | (43,188)     | (7,446)         | (296)        |
|                             | Increase in due to related parties                   | 45,010          | 59,359       | 20,676          | 19,619       |
|                             |  | (127,670)       | (176,510)    | (6,898)         | 51,052       |
| <b>Investing Activities</b> | Acquisition of mineral properties                    | 15,161          | (151,359)    | (80,995)        | (172,120)    |
|                             | Exploration and development costs                    | (47,967)        | (99,919)     | (70,436)        | (120,396)    |
|                             | Fixed assets   |                 |              | 28,584          | 28,584       |
|                             | Promissory note                                      |                 |              | (710)           | (3,686)      |
|                             | Reclamation bonds                                    | 80,320          | 69,670       | (2,146)         | (11,820)     |
|                             |  | 47,514          | (181,608)    | (125,703)       | (279,438)    |
| <b>Financing Activities</b> | Issuance of Share Capital                            |                 |              |                 |              |
|                             |  |                 |              |                 |              |
|                             | <b>Net Decrease in Cash</b>                          | (80,156)        | (358,118)    | (132,601)       | (228,386)    |
|                             | <b>Cash – Beginning of Period</b>                    | 230,705         | 508,667      | 500,632         | 596,417      |
|                             | <b>Cash – End of Period</b>                          | 150,549         | 150,549      | 368,031         | 368,031      |

The accompanying notes are an integral part of these financial statements.

**White Knight Resources Ltd.**  
**Notes to Financial Statements**  
(Prepared by management without audit)  
For the period ending December 31, 2002

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. These financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has working capital of \$203,814 as at December 31, 2002 and accumulated losses of \$9,656,186. Its ability to continue as a going concern is dependent upon the continued support of the related parties, the discovery of economically recoverable reserves, the ability of the Company to raise equity financing and the attainment of profitable operations. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Use of estimates**

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

**Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, White Knight Gold (U.S.) Inc, CUN Minerals, Inc. and Quito Gold Corp. All significant inter-company balances and transactions have been eliminated upon consolidation.

**Mineral properties**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or abandoned or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the assigned value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

**Deferred exploration costs**

The Company defers all exploration expenses relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold or abandoned or management has determined there to be an impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production.

**Values**

The amount shown for mineral properties and for deferred exploration costs represent costs to date, and are not intended to reflect present or future values.

**Foreign currency translation**

The activities of the Company's subsidiaries, which are integrated foreign operations, are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in loss for the period.

**Stock-based compensation**

The Company grants stock options as described in Note 7. No compensation expense is recognized when stock options are granted or extended. Any consideration received on exercise of stock options is credited to capital stock.

**Loss per share**

In accordance with the revised recommendations of the Canadian Institute of Chartered Accountants, the Company changed from the imputed earnings approach to the treasury stock method, to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. The new standard has been applied on a retroactive basis and had no material impact on the amounts presented.

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period.

**Capital assets and amortization**

Capital assets are recorded at cost less accumulated amortization. Amortization is being provided for quarterly, using the declining balance method of amortization at the following rates:

|                        |     |
|------------------------|-----|
| Vehicles and equipment | 30% |
| Office equipment       | 20% |

**Cash and cash equivalents**

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

**Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.

**3. MINERAL PROPERTIES**

|                  | Balance at<br>Jun 30/02 | Additions To<br>Dec 31/02 | Recoveries to<br>Dec 31/02 | Write-offs to<br>Dec 31/02 | Balance at<br>Dec 31/02 |
|------------------|-------------------------|---------------------------|----------------------------|----------------------------|-------------------------|
| <b>Nevada</b>    |                         |                           |                            |                            |                         |
| • Cabin Creek    | \$ 8,037                | \$ 5,202                  | \$                         | \$                         | \$ 13,239               |
| • Cottonwood     | 14,420                  | 11,162                    |                            |                            | 25,582                  |
| • Gold Bar Horst | 38,268                  | 24,303                    |                            |                            | 62,571                  |
| • Gold Pick      | 5,088                   | 3,229                     |                            |                            | 8,317                   |
| • Hunter         | 21,059                  | 8,425                     |                            |                            | 29,484                  |
| • Indian Ranch   | 109,031                 | 62,001                    | (15,496)                   |                            | 155,536                 |
| • New Pass       | 369,842                 | 18,191                    |                            |                            | 388,033                 |
| • Slaven Canyon  | 13,647                  | 8,674                     |                            |                            | 22,321                  |
| • Squaw Creek    | 379,802                 | 25,668                    |                            |                            | 405,470                 |
| Total            | 959,194                 | 166,855                   | (15,496)                   |                            | 1,110,553               |

Nevada Properties

**Cabin Creek**

The Company acquired the Cabin Creek property in October 2001 by staking. The property comprises 30 unpatented claims located in Eureka County.

**Cottonwood**

Since the fall of 2001, the Company has staked 56 unpatented claims and executed a Mining Lease Agreement dated February 2002 on six adjacent unpatented claims, located in Eureka County. The terms of the agreement require the Company to pay an initial lease payment of US\$1,000, successive annual lease payments totaling US\$8,000 and 80,000 common shares of the Company over the next four year period, and US\$5,000 per year thereafter. There is an underlying Net Smelter Return of 4% on the sale of gold on production greater than 50,000 oz and less than 150,000 oz. On gold production less than 50,001 oz and greater than 150,000 oz, the Lessor retains a Net Smelter Return with the royalty ranging between 1% for gold prices under US\$350/oz to 2% for a gold price of US\$500/oz or higher. The Company also has the option to purchase the claims and the royalty for US\$50,000.

**Gold Bar Horst**

The Company staked the Gold Bar Horst property in September 2001. The property comprises 143 unpatented claims located in Eureka County.

**Gold Pick**

The Company staked the Gold Pick property in June 2002. The property comprises 19 unpatented claims located in Eureka County.

**Hunter**

Since September 2001, the Company has staked 46 unpatented claims and in February 2002, executed a Mining Lease Agreement on 2 adjacent unpatented claims, located in Eureka County. The terms of the Mining Lease Agreement require the Company to pay an initial lease payment of US\$2,000 and issue 20,000 common shares of the Company, and then make successive annual lease payments totaling US\$12,000 and issue 80,000 common shares of the Company over the next four year period, and pay US\$7,000 per year thereafter. The Lessor retains a Net Smelter Return with the royalty ranging between 1% for gold prices under US\$350/oz to 2% for a gold price of US\$500/oz or higher. The Company also has the option to purchase the claims and the royalty for US\$75,000.

**Indian Ranch**

In 1994, the Company entered into a lease agreement for a 100% interest in 48 claims located in Eureka County by issuing 100,000 shares. The agreement is subject to a 6% net smelter return royalty payable to the lessee, which may be converted to a 3% net smelter return royalty and a 3% net profits interest by paying US\$1,500,000. The Company holds an additional 301 claims within the area of interest.

In 1997, the Company entered into an option agreement with Chapleau Resources Ltd. ("Chapleau") which was subsequently amended. Pursuant to the terms of the agreement and the subsequent amendment, in June of 2001 Chapleau vested a 40% undivided interest in the property by making option payments totaling US\$400,000 and incurring cumulative expenditures of US\$1,500,000.

In 2001, the Company and Chapleau entered into an option agreement with Kennecott Exploration Company ("Kennecott") whereby Kennecott could earn a 60% interest in the property by making option payments and incurring cumulative expenditures. Kennecott terminated the option agreement in November 2001 and as a result, Chapleau's 40% vested interest reduced to a 25% undivided interest in the property.

**New Pass**

In 1998, the Company purchased a 100% interest in the New Pass property from Quest USA Resources Inc. by making payments totaling US\$165,000, subject to a 2.75% net smelter return royalty. In 2000, the Company purchased the 2.75% net smelter return royalty by issuing 100,000 common shares of its capital stock to the vendor. New Pass is comprised of 107 claims located in Churchill County.

**Slaven Canyon**

The Company staked 51 unpatented claims located in Lander County in September 2001.

**Squaw Creek**

Since 1996, the Company has held a 100% interest in 151 claims located in Elko County which were acquired by staking.

**4. DEFERRED EXPLORATION AND DEVELOPMENT COSTS**

**Exploration Expenditures**

|                                 | Balance at Jun 30/02 | Additions to Dec 31/02 | Balance at Dec 31/02 |
|---------------------------------|----------------------|------------------------|----------------------|
| <b>By Type of Cost</b>          |                      |                        |                      |
| • Assays                        | \$ 680,078           | \$ 546                 | \$ 680,624           |
| • Consulting                    | 2,164,615            | 92,323                 | 2,256,938            |
| • Drafting & report preparation | 381,441              | 2,478                  | 383,919              |
| • Drilling                      | 2,753,845            |                        | 2,753,845            |
| • Field operations              | 626,539              | 8,677                  | 635,216              |
| • Reclamation                   | 173,772              | 3,810                  | 177,582              |
| • Recording                     | 80,079               |                        | 80,079               |
| • Supervision                   | 356,177              |                        | 356,177              |
| • Surveys                       | 320,921              |                        | 320,921              |
| • Transportation                | 91,287               |                        | 91,287               |
| • Trenching & site preparation  | 368,921              |                        | 368,921              |
| • Recovery                      | (4,897,361)          | (7,915)                | (4,905,276)          |
| • Write-off                     | (2,692,032)          | (64,180)               | (2,756,512)          |
| <b>Total</b>                    | <b>\$ 407,982</b>    | <b>\$ 35,739</b>       | <b>\$ 443,721</b>    |

|                       | Balance at Jun 30/02 | Additions To Dec 31/02 | Recoveries to Dec 31/02 | Write-offs to Dec 31/02 | Balance at Dec 31/02 |
|-----------------------|----------------------|------------------------|-------------------------|-------------------------|----------------------|
| <b>By Project</b>     |                      |                        |                         |                         |                      |
| • Cabin Creek         | \$ 23,635            | \$ 2,328               | \$                      | \$                      | \$ 25,963            |
| • Cottonwood          | 30,089               | 745                    |                         |                         | 30,834               |
| • Gold Bar Horst      | 39,201               | 1,841                  |                         |                         | 41,042               |
| • Gold Pick           | 23,704               | 17,195                 |                         |                         | 40,899               |
| • Hunter              | 21,702               | 922                    |                         |                         | 22,624               |
| • Indian Ranch        |                      | 6,866                  | (6,866)                 |                         |                      |
| • New Pass            | 222,777              | 3,250                  |                         |                         | 226,027              |
| • Slaven Canyon       | 46,874               | 9,458                  |                         |                         | 56,332               |
| • Squaw Creek         |                      | 1,049                  | (1,049)                 |                         |                      |
| • General Exploration |                      | 64,180                 |                         | (64,180)                |                      |
| <b>Total</b>          | <b>\$ 407,982</b>    | <b>\$ 107,234</b>      | <b>\$ (7,915)</b>       | <b>\$ (64,180)</b>      | <b>\$ 443,721</b>    |

**White Knight Resources Ltd.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Unaudited -prepared by management)  
For the period ended December 31, 2002

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**5. FIXED ASSETS**

|                        | Cost             | Accumulated<br>Amortization | Net Book Value  |                  |
|------------------------|------------------|-----------------------------|-----------------|------------------|
|                        |                  |                             | Dec 31 2002     | Dec 31 2001      |
| Vehicles and equipment | \$ 43,362        | \$ 37,629                   | \$ 5,733        | \$ 8,267         |
| Office equipment       | 9,204            | 6,943                       | 2,261           | 3,082            |
|                        | <u>\$ 52,566</u> | <u>\$ 44,572</u>            | <u>\$ 7,994</u> | <u>\$ 11,349</u> |

**6. RELATED PARTIES**

During the period ended December 31, 2002, the Company entered into the following transactions with related parties:

- (a) Paid or accrued \$24,000 (2001 - \$24,000) in management fees to directors and officers of the Company and to companies controlled by directors of the Company.
- (b) Paid or accrued \$NIL (2001 - \$3,750) in administration fees to a company controlled by a director of the Company.
- (c) Paid or accrued \$68,389 (2001 - \$58,897) in consulting fees to directors and officers of the Company and to companies controlled by directors of the Company, of which \$56,389 (2001 - \$46,897) are included or written off to Deferred Exploration Costs.

At December 31, 2002, there is \$150,058 (2001 - \$61,973) payable to directors and officers of the Company and to companies controlled by directors of the Company. The amounts are unsecured and non-interest bearing.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

**7. SHARE CAPITAL**

|   | Number<br>of Shares | Amount        |
|---|---------------------|---------------|
| <b>Authorized:</b>                          |                     |               |
| 100,000,000 common shares without par value |                     |               |
| <b>Issued:</b>                              |                     |               |
| Balance as at June 30, 2002                 | 28,781,152          | \$ 11,482,170 |
| Balance as at December 31, 2002             | 28,781,152          | \$ 11,482,170 |

As at December 31, 2002, warrants were outstanding enabling the holders to acquire the following number of shares:

| Number of Shares | Exercise Price | Expiry Date      |
|------------------|----------------|------------------|
| 3,708,132        | \$0.44         | November 18 2003 |
| 1,941,176        | \$0.25         | June 27, 2004    |

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As at December 31, 2002, director and employee stock options were outstanding enabling the holders to acquire the following number of shares:

| <u>Number of Shares</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|-------------------------|-----------------------|--------------------|
| 337,500                 | \$0.10                | January 13 2003    |
| 125,000                 | \$0.10                | October 16 2003    |
| 50,000                  | \$0.10                | March 16 2004      |
| 617,500                 | \$0.10                | February 21 2005   |
| <u>1,055,000</u>        | \$0.10                | May 14 2006        |
| 2,185,000               |                       |                    |

Under the Company's Stock Option plan effective November 4, 2002, the Company may grant options for up to 5,756,230 common shares to directors, employees and consultants at exercise prices to be determined by the market value on the date of grant. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted with the exception of options granted in relation to investor relations. As at December 31, 2002, the Company had stock options outstanding for the purchase of 2,185,000 common shares, all of which were exercisable.

Stock option transactions and the number of stock options outstanding are summarized as follows:

|                              | <u>Number of Options</u> |
|------------------------------|--------------------------|
| Balance at June 30, 2002     | 2,660,000                |
| Options canceled/expired     | <u>(475,000)</u>         |
| Balance at December 31, 2002 | 2,185,000                |

#### 8. SUBSEQUENT EVENTS

Pursuant to its Stock Option Plan, the Company granted incentive stock options to purchase up to 1,227,500 shares at a price of \$0.23 for a period of five years.



## Schedule B – Supplementary Information

1. Additional Information for the Year to Date:

(a) Analysis of Deferred Costs, Exploration and Development:

See Note 4 of the Financial Statements

(b) General and Administrative Expenditures:

See Consolidated Statements of Operations and Deficit in the Financial Statements

2. Expenditures to Non-Arm's Length Parties (in aggregate):

See Note 6 of the Financial Statements

3. (a) Summary of Securities Issued During the Period:

Nil

(b) Summary of Options Granted During the Period:

Nil

(c) Summary of Securities as at the End of the Period:

See Note 7 of the Financial Statements

(d) Directors and Officers of the Company:

John M. Leask, President and Chairman  
Brian D. Edgar, Director  
Gordon P. Leask, Director  
Megan M. Cameron-Jones, Director and Corporate Secretary  
Robert G. Cuffney, Vice President, Exploration



## Schedule C – Management Discussion & Analysis

*This discussion and analysis of the consolidated operating results and financial condition of the Company for the six months ended December 31, 2002 and 2001 should be read in conjunction with the Consolidated Financial Statements and the related Notes for the six months then ended. All dollar amounts are in Canadian dollars.*

### Description of Business

The Company is an exploration company active in finding and generating new mineral prospects. After performing cursory geologic work, the Company usually seeks a third party to further explore the projects. The Company's operations have been based in Nevada since 1993.

### Directors' Report

Exploration activity in Nevada has shown a continuing increase with a number of junior exploration companies announcing acquisitions. The gold price remains strong which has impacted the profitability of Nevada's producing companies and resulted in larger exploration budgets. Third party interest in property farm-ins has shown a modest upturn. The Company continues to add value to its portfolio of properties and to seek third party ventures.

### Mineral Property Update

The Company's properties, or the properties in which it has the right to earn an interest, are summarized as follows:

| Property       | Location                 | Trend                  | White Knight Ownership | Acres         | Square Miles  |
|----------------|--------------------------|------------------------|------------------------|---------------|---------------|
| Cabin Creek    | Eureka County, Nevada    | Battle Mountain-Eureka | 100%                   | 600           | 0.938         |
| Cottonwood     | Eureka County, Nevada    | Battle Mountain-Eureka | 100%                   | 1,240         | 1.938         |
| Gold Bar Horst | Eureka County, Nevada    | Battle Mountain-Eureka | 100%                   | 2,860         | 4.469         |
| Gold Pick      | Eureka County, Nevada    | Battle Mountain-Eureka | 100%                   | 380           | 0.594         |
| Hunter         | Eureka County, Nevada    | Battle Mountain-Eureka | 100%                   | 960           | 1.500         |
| Indian Ranch   | Eureka County, Nevada    | Battle Mountain-Eureka | 75%                    | 6,980         | 10.906        |
| New Pass       | Churchill County, Nevada | Austin-Lovelock        | 100%                   | 2,140         | 3.344         |
| Slaven Canyon  | Lander County, Nevada    | Battle Mountain-Eureka | 100%                   | 1,020         | 1.594         |
| Squaw Creek    | Elko County, Nevada      | Carlin                 | 100%                   | 3,020         | 4.719         |
| <b>Total</b>   |                          |                        |                        | <b>19,200</b> | <b>30.002</b> |

### Investor Relations

In November 2002, the Company terminated its agreement with Gregory Thomas who provided investor relations services. Currently, directors and officers of the Company participate in a limited investor relations program. The Company has made no further arrangements for external promotional activities.

### Directors and Officers

Gordon P. Leask, P.Eng., was appointed to the Board of Directors in January 2003. Mr. Leask has over 21 years experience in the exploration and mining business and has been the President of Mansfield Minerals Inc. since 1991. Mr. Art McQuade has resigned as the secretary of the Company and Megan Cameron-Jones has been appointed in his place.

### Stock Option Plan

The Company has adopted a Stock Option Plan under which the maximum number of common shares reserved for issuance pursuant to the grant of stock options is 5,756,230 shares, which is currently approximately 20% of the Company's issued and outstanding shares. The Stock Option Plan was approved by the shareholders of the Company at its Annual General Meeting on December 18, 2002.

### Extension of Warrant Term

In October 2002, the TSX Venture Exchange approved the Company's application to extend the exercise term of 3,708,132 warrants by one year. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.44 per share. The warrants will now expire on November 18, 2003.

### Liquidity

As at December 31, 2002, White Knight had working capital of \$203,814. This is a decrease of \$382,801 from working capital at December 31, 2001. These funds went towards ongoing operations in Nevada.

### Operations

#### **For the six months ended December 31**

Loss for the period increased from earnings of \$31,685 in 2001 to \$167,616 in 2002. If the write-off of mineral property costs (\$61,195 in 2001 and \$64,180 in 2002) is excluded, the loss has increased from earnings of \$29,510 in 2001 to \$103,436 in 2002. Write-off of mineral property costs in 2001 and 2002 consisted of general exploration costs in Nevada. The increase in the loss after write-off of mineral property costs between 2001 and 2002 is primarily due to a reduction in option payments received, lower interest income and an increase in shareholder information and legal expenses.

Management fees and consulting fees increased from \$24,838 in 2001 to \$29,546 due to a moderate increase in activity in 2002. Investor relations and shareholder information expense increased from \$6,590 in 2001 to \$15,176 in 2002 due to the Company's increased promotional activity. Interest income decreased from \$11,891 in 2001 to \$4,582 in 2002 due to the decrease in cash and short-term investments in 2002.

### Investing and Financing

#### **For the six months ended December 31**

Total expenditures on Nevada properties decreased from \$292,516 in 2001 to \$266,774 in 2002 reflecting the Company's objective of maintaining the treasury.

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## CORPORATE INFORMATION

JOHN M. LEASK, P.Eng  
Chairman & President  
Vancouver, BC, Canada

GORDON P. LEASK, P.Eng.  
Director  
Vancouver, BC, Canada

ROBERT G. CUFFNEY  
Vice-President, Exploration  
Truckee, CA, USA

### HEAD OFFICE

Suite 922, 510 West Hastings Street  
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E-mail: [info@whiteknightres.com](mailto:info@whiteknightres.com)  
Website: [www.whiteknightres.com](http://www.whiteknightres.com)

### LEGAL COUNSEL

Catalyst Corporate Finance Lawyers  
Vancouver, BC, Canada

### REGISTERED OFFICE

Suite 1400, 1055 West Hastings St.  
Vancouver, BC, Canada  
V6E 2E9

### CAPITALIZATION

Authorized:  
100,000,000 Common shares  
Issued as at January 31, 2003: 29,158,652

### STOCK EXCHANGE

Listed: TSX Venture Exchange  
Symbol: WKR-V

BRIAN D. EDGAR  
Director  
Vancouver, BC, Canada

MEGAN M. CAMERON-JONES  
Director & Secretary  
Vancouver, BC, Canada

### NEVADA OFFICE

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89509-0907

Tel: (775) 828-0379  
Fax: (775) 828-0381

### TRANSFER AGENT

Pacific Corporate Trust Company  
Vancouver, BC, Canada

### AUDITOR

Davidson & Company  
Chartered Accountants  
Vancouver, BC, Canada

### FINANCIAL INSTITUTION

Bank of Montreal  
Vancouver, BC, Canada

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