

Management's Discussion & Analysis of Financial Conditions & Results of Operations

September 30, 2000

The following analysis of Manson Creek's results of operations and financial position should be read in conjunction with the financial statements and related notes.

Results of Operations

Loss for the Year: The Company's loss for the year ended September 30, 2000 was \$2,005,000 or (\$0.13) per share compared to a loss of \$49,000 or \$0.00 per share for the year ended September 30, 1999.

Revenues and Expenses: Interest and other income decreased approximately \$23,000 from the 1999 fiscal year due to declining cash balances. Operating expenses increased \$17,000 from the previous year. "General and administrative" costs increased \$10,000 due to an increase in business taxes, administrative geological costs and directors' fees. "Reporting to shareholder" costs increased \$6,000 due to web site maintenance costs. Finally "Stock exchange and transfer agent fees" increased due to the move during fiscal 2000 from the Toronto Stock Exchange to the Canadian Venture Exchange.

The Company's equity in loss of an investment limited partnership increased from 1999 to 2000 by \$17,000. This investment was disposed of after year-end. Depreciation has decreased \$4,000 from 1999 to 2000. Investments were written-down by \$40,000 in fiscal 2000 to reflect a decline in market value that was not considered temporary. Finally the Belle and Mets properties in British Columbia and various miscellaneous unallocated property costs were written-off in fiscal 2000. The mineral property write-offs for fiscal 2000 aggregated \$1,863,000 (1999 - \$nil).

Liquidity and Capital Resources

The Company is debt free and had \$920,000 in cash and short-term investments as at September 30, 2000, (1999 - \$973,000). The Company has a positive working capital position of \$940,000 at September 30, 2000, (1999 - \$1,136,000). There will be sufficient liquid assets to fund all the expected exploration activities in fiscal 2000.

Operating Cash Flow: Operating activities have not traditionally been a significant source of, or requirement for, liquidity. Cash flows used in operating activities aggregated \$26,000 in fiscal 2000 (1999 - \$19,000).

Financing Activities: During fiscal 2000 the Company received \$107,000 as a Yukon Mineral Exploration tax credit. There was no cash generated from financing activities in fiscal 1999.

Investing Activities: Cash basis mineral property additions in fiscal 2000 totaled \$134,000 (1999 - \$745,000). Fiscal 2000 expenditures were incurred primarily on the Kathleen Lakes and Yukon properties. Fiscal 1999 expenditures were incurred almost exclusively on the Kathleen Lakes and Craig projects in the Yukon.

Risks and Uncertainties

Manson Creek operates in the mining industry in an international environment, and accordingly its success in achieving its objectives is affected by numerous circumstances over which it has no control. In addition to the risks inherent in the exploration of natural resources, the Company faces risks associated with political instability, commodity prices and their effect on the valuation of mineral properties and equity issues, as well as risks associated with changes in general economic conditions.

Outlook

Exploration efforts during the 2000 fiscal year will continue to focus on the Yukon properties, the Kathleen Lakes and Craig projects. Kathleen Lakes is the subject of an option/joint venture agreement with Prism Resources Ltd. and Craig is the subject of an option/joint venture agreement with Falconbridge Ltd. The Company is also actively pursuing joint venture partners for certain of its Yukon properties.

Forward Looking Statements

Some of the statements contained in this annual report are forward-looking statements such as statements that describe the Company's future plans, including words to the effect that the Company or management expects a stated condition or result to occur. Since these statements address future events and conditions, they involve inherent risks and uncertainties. Actual results could differ materially from those anticipated, due to many factors, most of which are beyond the control of the Company.

Management's Statement of Responsibility For Financial Reporting

To the Shareholders of Manson Creek Resources Ltd.:

The accompanying consolidated financial statements and other financial information included in this annual report are the responsibility of the management of Manson Creek Resources Ltd. and have been approved by the Board of Directors. The financial statements have been approved by management, and are prepared in conformity with Canadian Generally Accepted Accounting Principles and, where appropriate, reflect management's best estimates based on currently available information. Financial information presented elsewhere in the annual report is consistent with that in the financial statements.

The management of the Company developed and continues to maintain systems of internal accounting controls and management practices designed to provide reasonable assurance that the financial information is relevant, reliable and accurate. Our independent auditors, whose report on their audit of the financial statements follows, also review our systems of internal accounting controls to the extent necessary in order to render an opinion. Financial management personnel and our independent auditors meet with the Audit Committee of the Board of Directors at least once a year to report on accounting, internal accounting control and financial reporting matters.



James Devonshire
President



Shari Difley
Chief Financial Officer

Auditors' Report

To the Shareholders of Manson Creek Resources Ltd.:

We have audited the consolidated balance sheets of Manson Creek Resources Ltd. as at September 30, 2000 and 1999 and the consolidated statements of operations and deficit and cash flow 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 generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and

disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.



Calgary, Alberta
November 29, 2000

Grant Thornton LLP
Chartered Accountants

Consolidated Balance Sheets

September 30

2000

1999

ASSETS

CURRENT

Cash and cash equivalents	\$ 920,181	\$ 973,407
Accounts receivable	58,460	158,981
Prepays	22,500	22,500

	1,001,141	1,154,888
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INVESTMENTS AND OTHER ASSETS Note 3

	153,640	255,717
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MINERAL PROPERTIES AND EQUIPMENT Note 4

	2,692,598	4,389,133
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	\$ 3,847,379	\$ 5,799,738
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LIABILITIES

CURRENT

Accounts payable and accrued liabilities	\$ 60,814	\$ 18,440
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SHAREHOLDERS' EQUITY

CAPITAL STOCK Note 5

	8,499,033	8,488,533
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DEFICIT

	(4,712,468)	(2,707,235)
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	3,786,565	5,781,298
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	\$ 3,847,379	\$ 5,799,738
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Approved on behalf of the Board



Jean Pierre Jutras
Director



James Devonshire
Director

See accompanying notes to the financial statements.

Consolidated Statements of Operations and Deficit

<i>Years Ended September 30</i>	2000	1999
REVENUE		
Interest and other	\$ 49,727	\$ 72,666
EXPENSES		
General and administrative	61,704	51,934
Reporting to shareholders	19,592	13,274
Professional fees	11,794	12,930
Stock exchange and transfer agent fees	9,112	7,169
	102,202	85,307
LOSS BEFORE THE UNDERNOTED	(52,475)	(12,641)
Equity in loss of Investee	(39,577)	(22,408)
Depreciation	(10,046)	(14,058)
Write-down of investments	(40,000)	-
Abandonments and write-down of mineral properties	(1,863,135)	-
NET LOSS	(2,005,233)	(49,107)
DEFICIT, beginning of year	(2,707,235)	(2,658,128)
DEFICIT, end of year	\$ (4,712,468)	\$ (2,707,235)
 LOSS PER SHARE - basic and fully diluted	 \$ (0.13)	 \$ (0.00)

See accompanying notes to the financial statements.

Consolidated Statements of Cash Flow

<i>Years Ended September 30</i>	2000	1999
CASH FLOWS USED IN		
OPERATING ACTIVITIES		
Interest and other income received	\$ 51,537	\$ 72,936
Cash operating expenses	(77,749)	(91,854)
	(26,212)	(18,918)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Exploration incentives received	107,000	-
CASH FLOWS USED IN INVESTING ACTIVITIES		
Mineral property additions	(134,014)	(744,911)
DECREASE IN CASH AND CASH EQUIVALENTS	(53,226)	(763,829)
CASH AND CASH EQUIVALENTS, beginning of year	973,407	1,737,236
CASH AND CASH EQUIVALENTS, end of year	\$ 920,181	\$ 973,407

See accompanying notes to the financial statements.

Notes to the Consolidated Financial Statements

September 30, 2000 and 1999

1. Nature of Operations

Manson Creek Resources Ltd. is engaged exclusively in the business of mineral exploration and development and, as the Company has no mining operations, is considered to be in the development stage. The majority of the Company's activities to date have been conducted in Canada and, as a result, segmented information is not presented.

Mineral properties are recognized in these financial statements in accordance with the accounting policies outlined in Note 2. Accordingly, their carrying values represent costs incurred to date, net of recoveries, abandonments and write-downs, and do not necessarily reflect present or future values. The recoverability of these amounts is dependent upon the existence of economically recoverable mineral reserves; the acquisition and maintenance of appropriate permits, licenses and rights; the ability of the Company to obtain financing to complete the development of the properties where necessary and upon future profitable production; or, alternatively, upon the Company's ability to recover its costs through a disposition of its interests.

2. Summary of Significant Accounting Policies

a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, and its 100% owned subsidiary company, 15966 Yukon Inc. Two former subsidiaries Manson Creek Resources (BVI) Ltd. and Inzana Holdings Ltd. had been dormant for a number of years and had no assets, liabilities, revenues or expenses. Consequently during fiscal 2000, the Companies were dissolved.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets, such as mineral properties (see note 1), and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) Cash and Cash Equivalents

Cash and cash equivalents includes bank deposits and term deposits with maturities equal to or less than 90 days.

d) Mineral Properties and Equipment

Costs relating to the acquisition, exploration and development of mineral properties are capitalized on an area of interest basis. These expenditures will be charged against income, through unit-of-production depletion, when properties are developed to the stage of commercial production. Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations. If an area of interest is abandoned or management determines there is a permanent and significant decline in value, the related costs are charged to operations.

Equipment is recorded at cost net of depreciation calculated on a declining balance basis at rates ranging from 20% to 30%.

e) Flow-through Common Shares

The Company credits the full amount of the proceeds of flow-through shares, which transfer the deductibility of exploration expenses to the investor, including the premium paid for such tax deductions, to capital stock.

f) Joint Interest Operations

Certain of the Company's exploration and development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

g) Investments

Portfolio investments are carried at cost, less provision for declines in value that are considered to be other than temporary. The investment in a limited partnership is accounted for on the equity basis.

Notes to the Consolidated Financial Statements

continued

September 30, 2000 and 1999

2. *Summary of Significant Accounting Policies... continued*

h) Foreign Currency

Foreign currency denominated monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Foreign currency denominated non-monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect on the transaction date. Revenue and expense items are translated at average exchange rates for the period. Foreign exchange gains or losses are included in the determination of net earnings for the period.

i) Financial Instruments

The fair market value of the cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values as a result of the short-term nature of the instrument.

j) Reclamation Costs

The Company's activities have primarily focused on exploration directed toward the discovery of mineral resources. When it is determined that a future reclamation cost is likely, and the amount can be reasonably estimated, the costs thereof will be accrued.

k) Loss Per Share

Loss per share is computed on the basis of the weighted average number of shares outstanding during the year (2000 - 15,483,416; 1999 - 15,270,402). The exercise of stock options and warrants is antidilutive.

3. *Investments and Other Assets*

	2000	1999
Investments (market value \$148,000; 1999 \$175,000)	\$ 148,015	\$ 227,592
Prepaid rent	5,625	28,125
	\$ 153,640	\$ 255,717

Subsequent to year-end the Company's investment in a partnership with a carrying value of \$88,015 was redeemed for proceeds of \$88,029.

Effective September 1, 1996, the Company entered into a sub-lease agreement for office space whereby base rent of \$120,000 was prepaid for the 64 month term of the lease. The rent expense is recognized as a charge to income on a straight-line basis over the lease term.

A portion of the office space is sublet to other companies, related by virtue of common directors and/or management. The annual base rent recovery from these related parties is approximately \$36,000.

4. *Mineral Properties and Equipment*

	Mineral Claims and Permits	Exploration and Development Expenditures	Equipment	Total
Balance, September 30, 1998	\$ 150,899	\$ 3,679,432	\$ 48,467	\$ 3,878,798
Costs incurred	54,995	467,584	1,814	524,393
Accumulated depreciation	-	-	(14,058)	(14,058)
Balance, September 30, 1999	205,894	4,147,016	36,223	4,389,133
Costs incurred	21,368	155,278	-	176,646
Abandonments and write-downs	(20,850)	(1,842,285)	-	(1,863,135)
Depreciation expense	-	-	(10,046)	(10,046)
Balance, September 30, 2000	\$ 206,412	\$ 2,460,009	\$ 26,177	\$ 2,692,598

Notes to the Consolidated Financial Statements

continued

September 30, 2000 and 1999

4. *Mineral Properties and Equipment...continued*

Approximately \$744,000 (1999 - \$2,335,000) of the foregoing expenditures, funded from the proceeds of flow-through share issues, have no cost basis for income tax purposes.

During the year ended September 30, 1998 the Company entered into agreements with corporations to explore properties near Mayo, Yukon Territory as follows:

i) Kathleen Lakes

The Company entered into an option/joint venture agreement with Prism Resources Ltd. ("Prism"), whereby the Company may earn an initial 50% interest in the Kathleen Lakes property. In order to earn the 50% interest the Company must expend \$1,000,000 on the property by December 31, 2001 and issue 100,000 shares of the Company to Prism on each of December 31, 1998 and December 31, 1999. Allshares have been issued as at September 30, 2000.

ii) Craig

The Company had entered into an agreement with Falconbridge Ltd. ("Falconbridge"), whereby the Company could earn a 60% interest in the Craig property. In an effort to earn the interest the Company paid Falconbridge \$5,000 and issued 100,000 shares by September 30, 2000. In order to complete the option commitment the Company would have to issue a further 50,000 shares and incur \$500,000 in exploration expenditures on the property by December 31, 2000. Subsequent to year end, the Company received an extension from Falconbridge. In accordance with the extension agreement the Company's commitment to issue 50,000 shares and incur \$500,000 in exploration expenditures has been extended to January 31, 2001 and December 31, 2001 respectively.

Under the terms of an agreement with Golden Rule Resources Ltd., (parent company), the Company had the right to earn an interest in the Belle property in British Columbia by incurring and funding \$300,000 of exploration expenditures by December 31, 2000. To September 30, 2000, the Company has incurred \$247,000 of exploration expenditures on the property and management did not anticipate incurring further expenditures. As a result the carrying value of the property of \$247,446 was written-off in the 2000 fiscal year.

During the year management determined that there would be no further exploration on the Mets property in British Columbia. The carrying value of the property of \$1,580,315 was therefore written-off in fiscal 2000.

5. *Capital Stock*

a) **Authorized**

- i) an unlimited number of voting common shares
- ii) an unlimited number of Class A preferred shares issuable in series
- iii) an unlimited number of Class B preferred shares issuable in series

b) **Common shares issued**

	Number of Shares	Stated Value
Balance, September 30, 1998	15,270,402	\$ 8,448,533
Issued for property pursuant to option agreement	100,000	40,000
Balance, September 30, 1999	15,370,402	\$ 8,488,533
Issued for property pursuant to option agreement	150,000	10,500
Balance, September 30, 2000	15,520,402	\$ 8,499,033

Notes to the Consolidated Financial Statements

continued

September 30, 2000 and 1999

5. *Capital Stock... continued*

c) Outstanding options

Under stock option plans, up to 10% of the outstanding common shares of the Company are, from time to time, reserved for issuance to eligible participants. At September 30, 2000, options for 820,000 (1999 - 1,251,000) shares were outstanding with exercise prices ranging from \$0.25 per share to \$1.24 per share (weighted average price being \$0.42 per share) and expiration dates at various times to February 27, 2002. The exercise price of options granted under the plans is equal to the fair value of the shares at the date of issuance.

d) Outstanding warrants

At September 30, 2000 and 1999 the Company had warrants outstanding, issued in conjunction with private placements to Golden Rule Resources Ltd. to purchase 2,000,000 common shares, exercisable at \$1.50 per share until March 6, 2001. During 1999, warrants to purchase 1,250,000 common shares at \$0.60 per share expired.

6. *Related Party Transactions*

The Company's parent, Golden Rule Resources Ltd. (Golden Rule), its affiliates, officers of the Company, and corporations in which certain of the Company's officers and directors are shareholders incurred exploration expenditures on the Company's behalf and provided services, at usual professional rates, as presented below.

	2000	1999
Geological and exploration	\$ 81,000	\$ 84,000
Rent and direct administrative	52,000	48,000
	\$ 133,000	\$ 132,000

Included in accounts payable is \$14,000 (1999 - \$16,000) due to Golden Rule with respect to the foregoing.

7. *Income Taxes*

- a) The Company has incurred losses for income tax purposes of approximately \$87,000, the related benefit of which has not been recognized in the financial statements. Unless sufficient taxable income is earned in future years these losses will expire in 2005 (\$6,000), 2006 (\$23,000) and 2007 (\$58,000).
- b) The Company has available the following approximate amounts which may be deducted, at the annual rates indicated in determining taxable income of future years.

	Amount	Rate
Canadian exploration expenses	\$ 2,327,000	100%
Canadian development expenses	324,000	30%
Foreign exploration and development expenses	444,000	10%
Undepreciated capital cost	69,000	20-30%
	\$ 3,164,000	