

MANSON CREEK RESOURCES LTD.
Financial Statements

September 30, 2003

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Auditors' Report

To the Shareholders of
Manson Creek Resources Ltd.

We have audited the balance sheets of Manson Creek Resources Ltd. as at September 30, 2003 and 2002 and the statements of operations 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 financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2003 and 2002 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
December 13, 2003

“Grant Thornton LLP”

Grant Thornton LLP
Chartered Accountants

Manson Creek Resources Ltd.

Balance Sheets

September 30

2003

2002

Assets			
Current			
Cash and cash equivalents	\$	311,056	\$ 328,136
Accounts receivable		8,408	112,648
Due from related parties (Note 6)		30,454	6,208
Prepays		11,434	9,721
		361,352	456,713
Investments and other assets (Note 3)		28,653	32,241
Mineral properties and equipment (Note 4)		958,989	1,295,598
	\$	1,348,994	\$ 1,784,552
Liabilities			
Current			
Accounts payable and accrued liabilities	\$	35,291	\$ 34,599
Due to related parties (Note 6)		9,855	5,412
		45,146	40,011
Shareholders' Equity			
Capital Stock (Note 5)		7,019,199	7,110,533
Contributed Surplus (Note 5)		91,334	-
Deficit		(5,806,685)	(5,365,992)
		1,303,848	1,744,541
	\$	1,348,994	\$ 1,784,552

On behalf of the Board

"Jean Pierre Jutras"

Jean Pierre Jutras Director

"James Devonshire"

James Devonshire Director

See accompanying notes to the financial statements.

Manson Creek Resources Ltd.

Statements of Operations and Deficit

Years Ended September 30

2003

2002

Revenue

Interest	\$ <u>6,799</u>	\$ <u>12,670</u>
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Expenses

General and administrative	94,825	96,183
Professional fees	8,993	9,917
Reporting to shareholders	8,722	13,198
Stock exchange and transfer agent fees	7,937	6,481
Depreciation	<u>1,867</u>	<u>5,258</u>

	<u>122,344</u>	<u>131,037</u>
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Loss for the year before the undernoted	(115,545)	(118,367)
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Gain on sale of assets	-	8,243
Write-down of investments	-	(34,099)
Proceeds on disposal of mineral properties In excess of carrying cost	7,500	-
Abandonments and write-down of mineral properties	<u>(332,648)</u>	<u>(8,808)</u>

Net loss	(440,693)	(153,031)
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Deficit, beginning of year	<u>(5,365,992)</u>	<u>(5,212,961)</u>
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Deficit, end of year	\$ <u>(5,806,685)</u>	\$ <u>(5,365,992)</u>
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Loss per share:

Basic and diluted	\$ <u>(0.03)</u>	\$ <u>(0.01)</u>
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Weighted average number of shares outstanding:

Basic and diluted	<u>15,398,895</u>	<u>15,570,402</u>
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See accompanying notes to the financial statements.

Manson Creek Resources Ltd.

Statements of Cash Flows

Years Ended September 30

2003

2002

Increase (decrease) in cash and cash equivalents

Operating activities

Interest received	\$ 6,799	\$ 12,670
Cash operating expenses	<u>(133,534)</u>	<u>(123,351)</u>
	<u>(126,735)</u>	<u>(110,681)</u>

Financing activities

Exploration incentives received	<u>134,446</u>	<u>45,000</u>
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Investing activities

Mineral property additions	(34,947)	(385,096)
Proceeds on sale of mineral properties	7,500	-
Proceeds on sale of investments	<u>2,656</u>	<u>-</u>
	<u>(24,791)</u>	<u>(385,096)</u>

Decrease in cash and cash equivalents (17,080) (450,777)

Cash and cash equivalents,

Beginning of year	<u>328,136</u>	<u>778,913</u>
End of year	\$ <u>311,056</u>	\$ <u>328,136</u>

Supplementary Information:

No cash was expended on interest or taxes during the years ended September 30, 2003 and September 30, 2002.

See accompanying notes to the financial statements.

Manson Creek Resources Ltd.

Notes to the Financial Statements

September 30, 2003

1. Nature of operations

Manson Creek Resources Ltd. is engaged in the business of mineral exploration and development in Canada. Since inception, the efforts of the Company have been devoted to the acquisition, exploration and development of mineral properties. To date the Company has not received any revenue from mining operations and is considered to be in the development stage.

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 necessary 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) 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 resource properties (see Note 1), 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.

b) Cash and cash equivalents

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

c) 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. If an area of interest is abandoned, or management determines that there is a permanent and significant decline in value, the related costs are charged to operations. The Company views the carrying values of mineral property interests on a quarterly basis by reference to the project economics, including the timing of the exploration and/or development work, the work programs and exploration results experienced by the Company and others, and the extent to which optionees have committed, or are expected to commit to, exploration on the property. When it becomes apparent that the carrying value of the property exceeds its estimated net recoverable amount based on the foregoing criteria, an impairment provision is made for the other than temporary decline in value.

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. Option payments made by the Company are recorded as mineral property costs. Options are exercisable entirely at the discretion of the optionee and accordingly, are recorded as mineral property costs or recoveries when the payments are made or received.

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

Manson Creek Resources Ltd.

Notes to the Financial Statements

September 30, 2003

d) Flow-through common 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. Future income tax liability is increased and capital stock is reduced by the estimated tax benefits transferred to shareholders.

e) 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. Although the Company holds some interests in mineral properties through joint venture agreements, none of its operations are carried on through joint venture entities.

f) Investments

Portfolio investments are carried at cost, less a provision for declines in value that are considered to be other than temporary.

g) Foreign currency translation

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.

h) Financial instruments

The fair market values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values as a result of the short-term nature of the instruments and/or the variable interest rate associated with the instrument. Unless otherwise noted, it is Management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

i) Reclamation costs

The Company's activities have primarily been 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.

j) Income taxes

Income taxes are recorded using the liability method of tax allocation. Future income taxes are calculated based on temporary timing differences arising from the difference between the tax basis of an asset or liability and its carrying value using tax rates anticipated to apply in the periods when the timing differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

k) Earnings (Loss) per share

Basic earnings (loss) per common share is computed by dividing the net earnings (loss) by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. For the years presented this calculation proved to be anti-dilutive. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method only "in-the-money" dilutive instruments impact the dilution calculations.

Manson Creek Resources Ltd.

Notes to the Financial Statements

September 30, 2003

l) Stock-Based Compensation

Effective October 1, 2002, in accordance with the recommendations of the Canadian Institute of Chartered Accountants, (CICA), the Company prospectively adopted, with no restatement or disclosure pertaining to awards granted prior to October 1, 2002, new rules for the accounting for, and disclosure of, stock-based compensation.

The recommendations of the CICA establish financial accounting and reporting standards for stock-based compensation plans as well as transactions in which an entity issues its equity instruments to acquire goods or services from non-employees. The Company has elected to follow the "fair value" method of accounting for stock-based compensation arrangements, whereby the fair value of the stock options at the date of grant is recorded as compensation cost. The fair value is determined using an option-pricing model that takes into account the exercise price and expected life of the option, the current price of the underlying stock, its expected volatility, the expected dividends on the stock, and the current risk-free interest rate for the expected life of the option. As no stock options were granted during the year ended September 30, 2003, no compensation expense has been recorded, nor has additional disclosure pertaining to the option pricing model assumptions been provided.

m) Government incentives

Through its exploration in the Yukon, the Company has benefited from refundable exploration tax credits and grants. These incentives are not repayable provided that they apply to qualifying expenditures. The incentives reduce the mineral property costs to which they pertain in the year that the qualifying expenditures are incurred or when eligibility becomes apparent, whichever is later.

3. Investments and other assets	<u>2003</u>	<u>2002</u>
Investments (market value \$20,000; 2002 – \$26,000)	\$ 22,412	\$ 26,000
Long-term prepaids	<u>6,241</u>	<u>6,241</u>
	<u>\$ 28,653</u>	<u>\$ 32,241</u>

4. Mineral properties and equipment

2003 Exploration and development expenditures:	Total	Yukon				Unstaked Property And Other
		NAD	Rusty/ KLA	Tanner	JRS	
Balance September 30, 2002	\$1,205,419	\$509,119	\$274,721	\$204,191	\$215,352	\$ 2,036
Geological consulting	25,375	2,207	872	9,003	410	12,883
Project field costs and miscellaneous	10,059	564	-	3,086	1,689	4,720
Exploration incentives	(43,446)	(1,746)	(11,300)	(15,600)	(14,800)	-
Abandonments and write-downs	(283,932)	-	(264,293)	-	-	(19,639)
Balance September 30, 2003	913,475	510,144	-	200,680	202,651	-
Property acquisition costs:						
Balance September 30, 2002	81,873	22,991	40,982	15,190	885	1,825
Costs incurred	5,918	9	1,165	-	-	4,744
Abandonments and write-downs	(48,716)	-	(42,147)	-	-	(6,569)
Balance September 30, 2003	39,075	23,000	-	15,190	885	-
Total mineral properties September 30, 2003	\$952,550	\$533,144	\$ -	\$215,870	\$203,536	\$ -
Equipment	12,209					
Accumulated depreciation	(5,770)					
Total mineral properties and equipment September 30, 2003	\$958,989					

Manson Creek Resources Ltd.

Notes to the Financial Statements

September 30, 2003

4. Mineral properties (continued)

2002 Exploration and development expenditures:	Total	Unstaked Property and Other				
		Nad	Rusty/ KLA	Tanner	JRS	Unstaked Property and Other
Balance September 30, 2001	\$929,267	\$501,671	\$203,525	\$102,935	\$120,505	\$ 631
Geological consulting	75,809	8,698	17,738	21,495	20,032	7,846
Project field costs and miscellaneous	78,286	1,750	21,008	30,480	23,681	1,367
Drilling	65,602	-	12,983	26,026	26,593	-
Aircraft and fuel	155,263	-	43,467	56,255	55,541	-
Yukon Mineral Exploration Tax Credit	(91,000)	(3,000)	(24,000)	(33,000)	(31,000)	-
Write-offs	(7,808)	-	-	-	-	(7,808)
Balance September 30, 2002	1,205,419	509,119	274,721	204,191	215,352	2,036
Property acquisition costs:						
Balance September 30, 2001	71,259	22,991	40,875	5,610	286	1,497
Costs incurred	11,614	-	107	9,580	599	1,328
Write-offs	(1,000)	-	-	-	-	(1,000)
Balance September 30, 2002	81,873	22,991	40,982	15,190	885	1,825
Total mineral properties September 30, 2002	\$1,287,292	\$532,110	\$315,703	\$219,381	\$216,237	\$ 3,861
Equipment	12,209					
Accumulated depreciation	(3,903)					
Total mineral properties and equipment September 30, 2002	\$1,295,598					

Yukon

The Company has a 100% interest in claims in the Yukon properties of Tanner, NAD, JRS and Rusty/KLA. Pursuant to an acquisition agreement regarding the Tanner property, and subject to an extension, the Company made the final property payment of \$10,000 on November 10, 2003.

Impaired Mineral Properties

During the year ended September 30, 2003 management determined that exploration results from the Rusty/KLA property did not warrant further exploration and the property was written-off. Costs incurred to investigate a potential exploration property were also written-off.

5. Capital stock

a) Authorized:

- i) an unlimited number of voting 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

Manson Creek Resources Ltd.

Notes to the Financial Statements

September 30, 2003

b) Common shares issued:

	<u>Number of Shares</u>	<u>Stated Value</u>
Balance, September 30, 2001 and September 30, 2002	15,570,402	\$ 7,110,533
Escrow shares cancelled	<u>(200,000)</u>	<u>(91,334)</u>
Balance September 30, 2003	<u>15,370,402</u>	<u>\$ 7,019,199</u>

The Escrow shares were cancelled for no consideration. The average carrying value of the shares of \$91,334 reduced capital stock and increased contributed surplus.

c) Outstanding options

<u>Expiry Date</u>	<u>Number of Shares</u>		<u>Price</u>
	<u>2003</u>	<u>2002</u>	
May 29, 2007	455,000	455,000	\$ 0.11
July 19, 2006	<u>1,000,000</u>	<u>1,000,000</u>	\$ 0.10
	<u>1,455,000</u>	<u>1,455,000</u>	

The Company has an option plan, (the plan), under which up to 10% of the issued and outstanding common shares are reserved for issuance. Under the Plan, the options that have been granted expire at the earlier of five years from the grant date, the date at which the Directors determine, or 60 days from the date from which the optionee ceases to be a director, officer, employee or consultant. The exercise price of the options granted under the Plan will not be less than the market price of the common shares, defined as the weighted average of the trading price per share for the last five trading days before the grant date.

d) Option Transactions

	<u>Number of Options</u>	<u>Weighted-average Exercise Price</u>
As at September 30, 2001	1,175,000	\$ 0.13
Granted	455,000	\$ 0.11
Expired or cancelled	<u>(175,000)</u>	\$ 0.33
As at September 30, 2002 and September 30, 2003	<u>1,455,000</u>	\$ 0.10

6. Related party transactions

CDG Investments Inc., (CDG), a Company related by virtue of certain common officers and directors; officers of the Company, and corporations in which certain of the Company's officers and directors are shareholders, provided services, billing the amounts presented below for the respective fiscal years.

	<u>2003</u>	<u>2002</u>
Geological	\$ 28,000	\$ 72,000
Direct administrative	<u>58,000</u>	<u>56,000</u>
	<u>\$ 86,000</u>	<u>\$ 128,000</u>

Manson Creek Resources Ltd.

Notes to the Financial Statements

September 30, 2003

6. Related party transactions (continued)

Related party transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. The related party payables are due to CDG with respect to administrative charges.

The Company sublet office space to companies related by virtue of certain common officers and directors. The aggregate base rent and operating costs charged to the Companies was \$63,000 during the year, (2002-\$83,000). The related party receivables pertain to rent receivables, all of which were received subsequent to year-end.

7. Income taxes

- a) Following is a reconciliation of income taxes calculated at statutory rates to the actual income taxes recorded in the accounts:

	<u>2003</u>	<u>2002</u>
Computed expected tax recovery at a combined Provincial and Federal rate of 38% (2002 – 39.8%)	\$ (167,000)	\$ (61,000)
Effect on income taxes resulting from:		
Non-recognition of losses and future tax benefits for financial statement purposes	<u>167,000</u>	<u>61,000</u>
Future income tax recovery	\$ -	\$ -

The net future income tax asset at September 30, 2003 is comprised of:

	<u>at 38%</u>
Income tax values in excess of book values of mineral properties and equipment	\$ 986,000
Investments with tax values exceeding book values	12,000
Non-capital losses carried forward	<u>138,000</u>
Future income tax asset before valuation allowance	1,136,000
Valuation allowance	<u>(1,136,000)</u>
Future income tax asset	\$ -

- b) The Company has incurred losses for income tax purposes of approximately \$363,000 the related future 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), 2007 (\$55,000), 2008 (\$58,000), 2009 (\$109,000), and 2010 (\$112,000).
- c) The Company has the following approximate amounts available that may be deducted, at the annual rates indicated, in determining taxable income of future years.

	<u>Amount</u>	<u>Rate</u>
Canadian exploration expense	\$ 2,701,000	100%
Canadian development expense	352,000	30%
Foreign exploration and development expense	444,000	10%
Undepreciated capital cost	<u>56,000</u>	20-30%
	\$ <u>3,553,000</u>	

Manson Creek Resources Ltd.

Notes to the Financial Statements

September 30, 2003

8. Commitment

Effective January 1, 2002, the Company entered into a five-year contract to lease office space. Concurrent with entering into the lease agreement, the Company entered into sublease agreements with three companies related by virtue of certain common officers and directors. Pursuant to the sublease agreements, the sublessors will, in aggregate, be committed to pay 75% of base rent and lease operating costs for the duration of the office lease. The following summarizes the Company's base rent commitments for the ensuing five fiscal years:

2004	\$48,600
2005	\$48,600
2006	\$48,600
2007	\$12,200
2008	\$ -

9. Comparative Figures

Certain comparative amounts have been reclassified to conform with the financial statement presentation adopted in the current year.