

MANSON CREEK RESOURCES LTD.

UNAUDITED INTERIM FINANCIAL STATEMENTS

1st Quarter Reports December 31, 2005

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In accordance with national instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim balance sheet as at December 31, 2005 nor the unaudited interim statements of operations and cash flows and unaudited interim schedule of mineral properties for the three month periods ended December 31, 2005 and December 31, 2004.

MANSON CREEK RESOURCES LTD.
BALANCE SHEETS
(Unaudited - prepared by management)

| | December 31, 2005 | September 30, 2005 |
|---|----------------------|-----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 461,448 | \$ 538,287 |
| Accounts receivable | 5,826 | 23,009 |
| Due from related parties Note 4 | 6,927 | - |
| Prepays | <u>12,174</u> | <u>13,777</u> |
| | 486,375 | 575,073 |
| INVESTMENTS AND OTHER ASSETS Note 2 | 36,412 | 42,653 |
| MINERAL PROPERTIES AND EQUIPMENT Schedule | <u>740,275</u> | <u>682,874</u> |
| | \$ 1,263,062 | \$ 1,300,600 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 18,315 | \$ 26,559 |
| Due to related parties Note 4 | 14,640 | 24,257 |
| Asset retirement obligation | <u>14,534</u> | <u>15,000</u> |
| | 47,489 | 65,816 |
| FUTURE INCOME TAXES | <u>37,000</u> | - |
| | 84,489 | 65,816 |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK note 3 | | |
| Issued: 23,864,775 common shares, (Sept.30,2005 - 23,734,775) | 7,618,902 | 7,651,822 |
| CONTRIBUTED SURPLUS Note 3 | 519,954 | 521,334 |
| DEFICIT | <u>(6,960,283)</u> | <u>(6,938,372)</u> |
| | 1,178,573 | 1,234,784 |
| | \$ 1,263,062 | \$ 1,300,600 |

Commitments note 5

Approved by the Board

"R. Chernish" Director

"J.P.Jutras" Director

See accompanying notes to the financial statements

MANSON CREEK RESOURCES LTD.
STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited - prepared by management)

| Three months ended December 31 | 2005 | 2004 |
|--|--------------------------|--------------------------|
| REVENUE | | |
| Interest and other | \$ <u>2,473</u> | \$ <u>904</u> |
| EXPENSES | | |
| General and administrative | 32,775 | 19,374 |
| Professional fees | 756 | 5,277 |
| Stock exchange and transfer agent fees | 3,048 | 1,922 |
| Amortization of capital assets | <u>1,805</u> | <u>789</u> |
| | <u>38,384</u> | <u>27,362</u> |
| LOSS BEFORE THE UNDERNOTED | (35,911) | (26,458) |
| Write-down of mineral properties | - | <u>(533,145)</u> |
| LOSS BEFORE INCOME TAX RECOVERY | (35,911) | (559,603) |
| Future income tax recovery | <u>14,000</u> | <u>-</u> |
| NET LOSS | (21,911) | (559,603) |
| DEFICIT, beginning of period | (6,938,372) | (5,927,566) |
| DEFICIT, end of period | \$ (6,960,283) | \$ (6,487,169) |
| LOSS PER SHARE | | |
| -basic and diluted | <u>0.00</u> | <u>(0.03)</u> |
| WEIGHTED AVERAGE SHARES | | |
| OUTSTANDING - basic and diluted | <u>23,813,145</u> | <u>16,420,402</u> |

See accompanying notes to the financial statements.

MANSON CREEK RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Unaudited - prepared by management)

| Three months ended December 31, | 2005 | 2004 |
|---|--------------------------|--------------------------|
| Increase (decrease) in cash and cash equivalents | | |
| OPERATING ACTIVITIES | | |
| Interest and other income received | \$ 2,473 | \$ 904 |
| Cash operating expenses | <u>(34,295)</u> | <u>(29,306)</u> |
| | <u>(31,822)</u> | <u>(28,402)</u> |
| FINANCING ACTIVITIES | | |
| Warrants exercised | <u>4,200</u> | <u>-</u> |
| INVESTING ACTIVITIES | | |
| Mineral property additions | <u>(49,217)</u> | <u>(4,540)</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS | (76,839) | (32,942) |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of period | <u>538,287</u> | <u>188,697</u> |
| End of period | \$ <u><u>461,448</u></u> | \$ <u><u>155,755</u></u> |

Supplementary Information:

Interest and taxes

No cash was expended on interest or taxes during the three months ended December 31, 2005 and December 31, 2004.

Non-cash transactions

During the three months ended December 31, 2005 the Company issued 100,000 of its common shares, valued at \$12,500, pursuant to option agreements to acquire interests in the Cuprum, Palomino and Meridian properties. The acquisition costs were valued using the closing share price on the transaction date.

See accompanying notes to the financial statements.

MANSON CREEK RESOURCES LTD.
SCHEDULE OF MINERAL PROPERTIES AND EQUIPMENT
FOR THE THREE MONTHS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004
(Unaudited - prepared by management)

| 2005 | Yukon | | | British Columbia | | |
|---|-------------------|-------------------|------------------|-------------------|------------------|------------------|
| | Total | Tanner | Cuprum | CR Property | Palomino | Meridian |
| Exploration and development expenditures: | | | | | | |
| Balance September 30, 2005 | \$ 602,965 | \$ 232,343 | \$ 40,634 | \$ 326,181 | \$ 3,807 | \$ - |
| Geological consulting | 24,389 | 4,370 | 3,509 | 4,500 | 3,015 | 8,995 |
| Geochemical analysis | 871 | - | - | - | - | 871 |
| Field costs | 3,372 | 341 | 394 | 184 | 88 | 2,365 |
| Balance December 31, 2005 | 631,597 | 237,054 | 44,537 | 330,865 | 6,910 | 12,231 |
| Property acquisition costs: | | | | | | |
| Balance September 30, 2005 | 69,173 | 25,610 | 5,000 | 38,563 | - | - |
| Costs incurred | 30,575 | 575 | 11,000 | - | 8,250 | 10,750 |
| Balance December 31, 2005 | 99,748 | 26,185 | 16,000 | 38,563 | 8,250 | 10,750 |
| Total mineral properties December 31, 2005 | \$ 731,345 | \$ 263,239 | \$ 60,537 | \$ 369,428 | \$ 15,160 | \$ 22,981 |
| Equipment | 23,115 | | | | | |
| Accumulated depreciation | (14,185) | | | | | |
| Total mineral properties and equipment December 31, 2005 | \$ 740,275 | | | | | |

| 2004 | Yukon | | | British Columbia | |
|---|-------------------|-------------|-------------------|-------------------|------------------|
| | Total | NAD | Tanner | JRS | CR Property |
| Exploration and development expenditures: | | | | | |
| Balance September 30, 2004 | \$ 997,982 | \$ 510,144 | \$ 207,850 | \$ 202,651 | \$ 77,337 |
| Geological consulting | 5,474 | - | 887 | - | 4,587 |
| Geochemical analysis | 3,909 | - | - | - | 3,909 |
| Mineral property write-offs | (510,144) | (510,144) | - | - | - |
| Balance December 31, 2004 | 497,221 | - | 208,737 | 202,651 | 85,833 |
| Property acquisition costs: | | | | | |
| Balance September 30, 2004 | 61,750 | 23,000 | 25,190 | 885 | 12,675 |
| Mineral property write-offs | (23,000) | (23,000) | - | - | - |
| Balance December 31, 2004 | 38,750 | - | 25,190 | 885 | 12,675 |
| Total mineral properties December 31, 2004 | \$ 535,971 | \$ - | \$ 233,927 | \$ 203,536 | \$ 98,508 |
| Equipment | 18,558 | | | | |
| Accumulated depreciation | (8,871) | | | | |
| Total mineral properties and equipment December 31, 2004 | \$ 545,658 | | | | |

See accompanying notes to the financial statements.

MANSON CREEK RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
December 31, 2005

(Unaudited – prepared by management)

1. Accounting Policies

Basis of presentation and continuance of operations

These unaudited interim financial statements, that were not subject to audit or review by the Company's external accountants, follow the same accounting policies and methods of computation as the audited financial statements for the year ended September 30, 2005. These interim financial statements should be read in conjunction with the audited financial statements for the year ended September 30, 2005 as not all disclosures required by Generally Accepted Accounting Principles for annual financial statements are presented.

Management has estimated that the Company will have adequate funds from existing working capital to meet its current year's administrative requirements. If the Company is to execute all of its exploration plans for fiscal 2006, it will require additional financing. If the Company is unable to raise additional equity at a favorable per share price, it will scale back its exploration programs accordingly.

2. Investments and other assets

| | December 31, 2005 | September 30, 2005 |
|--|----------------------|-----------------------|
| Investments (fair value \$33,000, September 30, 2005 - \$30,000) | \$22,412 | \$22,412 |
| Mineral exploration deposit | 14,000 | 14,000 |
| Non-current prepaid expenses | - | 6,241 |
| | <u>\$36,412</u> | <u>\$42,653</u> |

3. Capital Stock and Contributed Surplus

a) Issued

| | Number of Shares | Capital Stock | Contributed Surplus |
|---|--------------------------|---------------------------|--------------------------|
| Balance September 30, 2005 | 23,734,775 | \$7,651,822 | \$ 521,334 |
| Issued pursuant to property acquisitions | 100,000 | 12,500 | - |
| Warrants exercised | 30,000 | 5,580 | (1,380) |
| Tax effect of property expenditures renounced in the period | - | (51,000) | - |
| Balance December 31, 2005 | <u>23,864,775</u> | <u>\$7,618,902</u> | <u>\$ 519,954</u> |

During the three months ended December 31, 2005, the Company issued 50,000 shares pursuant to the Cuprum, Yukon mineral property acquisition and 25,000 shares for each of the Palomino and Meridian, British Columbia mineral property acquisitions. The acquisition costs were valued using the market price of the Company's shares on the issue date.

Exploration expenditures aggregating \$150,000 were renounced to flow-through share investors on December 31, 2005. The \$51,000 tax value associated with these resource expenditures reduced capital stock and was recognized as future income taxes payable. As the Company has unrecognized future tax assets, this liability will be extinguished as losses are incurred through the recognition of a future tax recovery in the statement of operations.

b) Stock options and warrants

i) Stock options

The Company has an option plan, (the Plan), that authorizes reserving for issuance up to 10% of the issued and outstanding common shares. 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 on 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.

No options were cancelled, none granted and none exercised during the three months ended December 31, 2005. The following summarizes outstanding options, including expiries, at December 31, 2005, all of which vested immediately upon granting:

| Number of options | Price | Expiry date |
|-------------------------|--------|---------------|
| 831,600 | \$0.10 | July 19, 2006 |
| 385,000 | \$0.11 | May 29, 2007 |
| 875,000 | \$0.16 | May 12, 2010 |
| <u>2,091,600</u> | | |

ii) Warrants

Warrant transactions during the three months ended December 31, 2005 are summarized below:

| | Number of warrants | Price | Expiry date |
|----------------------------------|-------------------------|----------------------|-----------------------------|
| Balance September 30, 2005 | 6,525,973 | \$0.14 | March 7, 2007 |
| Exercised | (30,000) | \$0.14 | |
| Balance December 31, 2005 | <u>6,495,973</u> | <u>\$0.14</u> | <u>March 7, 2007</u> |

MANSON CREEK RESOURCES LTD.
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(Unaudited – prepared by management)

4. Related Party Transactions

During the three months ended December 31, 2005, the Company billed companies related by virtue of certain common officers and directors \$10,000 for their share of base office lease costs and \$9,000 for their share of lease operating and miscellaneous costs. Related party receivables pertain to these charges.

A company related by virtue of certain common officers and directors billed the Company for its share of certain general and administrative costs and allocated secretarial salaries. The total billed for the three months ended December 31, 2005 was \$5,000. Officers and directors of the Company billed for their consulting services at hourly or daily rates, either personally or through their controlled corporations. The aggregate billed for the three months ended December 31, 2005 was \$32,000, \$22,000 of which was directly related to, and capitalized to mineral property exploration costs. Related party payables at the respective period ends related to a portion of these administrative and consulting charges plus goods and services taxes thereon.

Related party transactions were in the normal course of business and were measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

5. Commitments

Office Lease

The company has base office lease commitments in the following amounts for the fiscal years ended September 30:

| | |
|------|----------|
| 2006 | \$40,100 |
| 2007 | \$13,400 |

The Company is also committed to pay lease operating costs that vary from year to year, but are expected to aggregate approximately \$35,000 during the remainder of fiscal 2006. The Company subleases office space to three companies, related by virtue of certain common officers and directors that, in aggregate, contribute 75% of the aforementioned lease amounts as well as 75% of lease operating costs.

Mineral Properties

CR Property

During the year ended September 30, 2004, the Company entered into an agreement with an unrelated individual to acquire a mineral property situated in the Omineca Mining District of British Columbia. The agreement requires that the Company make the following cash payments and issue common shares in order to acquire the property as follows:

| <u>Date</u> | <u>Cash</u> | <u>Common Shares</u> |
|--------------------------|-----------------|----------------------|
| Upon signing (paid) | \$ 2,500 | - |
| June30,2004(paid/issued) | 5,000 | 50,000 |
| June30,2005(paid/issued) | 15,000 | 50,000 |
| June 30, 2006 | 15,000 | 100,000 |
| June 30, 2007 | 15,000 | 100,000 |
| June 30, 2008 | 20,000 | 125,000 |
| June 30, 2009 | <u>20,000</u> | <u>150,000</u> |
| Total | <u>\$92,500</u> | <u>575,000</u> |

The Company may acquire 1.0% of the vendor's retained 1.5% Net Smelter Return in the property for \$1,000,000. If at any point the Company is in default of the above-noted payment schedule, the property will revert to the vendor. The agreement can be terminated at any time by the Company without the requirement to issue shares or make payments specified in the agreement that pertain to the period after termination.

MANSON CREEK RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
December 31, 2005

(Unaudited – prepared by management)

5. Commitments (continued)

Mineral Properties

Palomino property

During the year ended September 30, 2005, the Company entered into an agreement with an unrelated individual to acquire a mineral property situated in the Omineca Mining District of British Columbia. The agreement requires that the Company make the following cash payments and issue common shares in order to acquire a 100% interest in the property, subject to a 1.5% Net Smelter interest retained by the vendor, as follows:

| <u>Date</u> | <u>Cash</u> | <u>Common Shares</u> |
|---------------------------------|-----------------|----------------------|
| Upon signing (paid) | \$ 1,000 | - |
| November 30, 2005 (paid/issued) | 5,000 | 25,000 |
| November 30, 2006 | 10,000 | 75,000 |
| November 30, 2007 | 15,000 | 75,000 |
| November 30, 2008 | 15,000 | 100,000 |
| November 30, 2009 | <u>20,000</u> | <u>150,000</u> |
| Total | <u>\$66,000</u> | <u>425,000</u> |

Upon completion of the acquisition, the Company may acquire 1.0% of the vendor's retained 1.5% net smelter returns royalty in the property for \$1,000,000. If at any point the Company is in default of the above-noted payment schedule, the property will revert to the vendor. The agreement can be terminated at any time by the Company without the requirement to issue shares or make payments specified in the agreement that pertain to the period after termination.

Meridian property

During the three months ended December 31, 2005, the Company entered into an agreement to acquire a 100% interest in 12 prospective gold/silver mineral tenures aggregating 675 hectares in the Revelstoke mining district in eastern British Columbia. The Company is committed to the following payment schedule if it chooses to acquire 100% of the claims:

| <u>Date</u> | <u>Cash</u> | <u>Common Shares</u> |
|---------------------------------|-----------------|----------------------|
| Upon signing (paid) | \$ 2,500 | - |
| November 30, 2005 (paid/issued) | 5,000 | 25,000 |
| November 30, 2006 | 10,000 | 75,000 |
| November 30, 2007 | 20,000 | 100,000 |
| November 30, 2008 | 20,000 | 125,000 |
| November 30, 2009 | <u>30,000</u> | <u>150,000</u> |
| Total | <u>\$87,500</u> | <u>475,000</u> |

Upon completion of the acquisition, the Company may acquire 1.5% of the vendor's retained 2.0% net smelter interest in the property for \$1,500,000. The Company may terminate the purchase agreement at any time without being obligated to make future payments provided that proper notice is given and the property is in good standing with at least \$5,200 of unutilized assessment work credits in place at that time.

Cuprum Property

During the year ended September 30, 2005, the Company entered into an agreement with a non-related corporation to acquire ten staked claims located 50 kilometers north of Whitehorse, Yukon. The Company can acquire a 100% interest in the property, subject to a 2.0% net smelter returns royalty, by paying the vendor in staged payments over five years a total of \$75,000 cash and 450,000 of its capital stock as follows:

| <u>Date</u> | <u>Cash</u> | <u>Common Shares</u> |
|-------------------------------|------------------|----------------------|
| Upon signing (paid) | \$ 5,000 | - |
| October 31, 2005(paid/issued) | 5,000 | 50,000 |
| October 31, 2006 | 15,000 | 50,000 |
| October 31, 2007 | 15,000 | 100,000 |
| October 31, 2008 | 15,000 | 100,000 |
| October 31, 2009 | <u>20,000</u> | <u>150,000</u> |
| Total | <u>\$ 75,000</u> | <u>450,000</u> |

The Company can terminate the agreement without penalty at any time, provided that it has given proper and timely notice to the vendor, and will not be responsible for any payments due after the termination date.

**MANSON CREEK RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2005**

The information included in this document should be read in conjunction with the unaudited financial statements for the three months ended December 31, 2005 and related notes thereto. The financial information in this Management Discussion and Analysis, (MD&A), is derived from the Company's financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles. The effective date of this MD&A is February 20, 2006. All dollar amounts are in Canadian Dollars unless otherwise stated.

1) Principal Business of the Company

The Company 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 Company's philosophy is to acquire projects at the grass roots level and advance them to a point where partners can be brought in to further the properties to the stage where a mine is commercially feasible or the property can be sold outright.

The recoverability of the amounts comprising mineral properties 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.

The Company has no operating income and no earnings; exploration and operating activities are financed by the sale of common shares. None of the Company's properties are in production. Consequently, the Company's net income is not a meaningful indicator of its performance or potential.

2) Mineral Properties

Yukon

The minerals of interest in the Yukon region are copper, gold, silver, lead and zinc.

a) Cuprum

During the year ended September 30, 2005, the Company entered into an agreement with an unrelated corporation to acquire 10 staked claims located 50 kilometers north of Whitehorse, Yukon, having ATV access from the highway located 11 kilometers away. The prospective mineralization is primarily copper, silver and zinc, associated with skarns reported to be 9 to 30 meters wide that are outlined in outcrop for 750 meters. The prospect has not been extensively documented as it has primarily been explored by individual prospectors since 1953.

In order to acquire the property the Company must make staged payments aggregating \$75,000, (paid \$10,000 to date), and issue 450,000, (issued 50,000 to date), of the Company's common shares over a five year period. Once the final payment is made in October, 2009, the Company will own a 100% interest in the property subject to a 2.0% NSR, (net smelter returns), royalty of which 1.5% could be purchased at the discretion of the Company for \$1,500,000.

The assays received from the soil samples taken in fiscal 2005 have outlined numerous anomalous mineralized areas on the property that have helped to highlight areas that the Company will revisit in fiscal 2006. The proposed program for the summer of 2006, with an approximate budget of \$20,000, encompasses a magnetic and geochemical survey to follow-up on the anomalies outlined in 2005.

**MANSON CREEK RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2005**

2) Mineral Properties

Yukon

b) Tanner

The Company acquired 8 claims located in the Mayo mining district pursuant to an acquisition agreement dated June 18, 2001. The vendor has retained a 2% standard Net Profits Interest in the property which may be purchased by the Company for \$600,000. The Company has staked an additional 106 claims in the area.

Results of the Company's 2005 exploration program, the recent favorable commodities markets, and the recent activity by other exploration companies on nearby properties, all demonstrate the potential of the property. During the upcoming exploration season in the summer of 2006, the Company will continue to spend the funds required to maintain the key areas of the claim block. During fiscal 2006 the Company will investigate opportunities to interest joint venture partners in an expanded 2006 and/or future exploration program.

British Columbia

a) CR

The Company entered into an agreement in February, 2004 to acquire a 100% interest in the CR property located in the Ominica Mining District of British Columbia. In order to earn a 100% interest, the Company must make cash payments aggregating \$92,500, (paid \$22,500 to December 31, 2005), and issue 575,000 common shares, (issued 100,000 to December 31, 2005), over five years. The vendor will retain a 1.5% net smelter return, 1.0% of which may be purchased by the Company for \$1,000,000.

The property consists of 3 recorded claims totaling approximately 1,700 hectares. The CR property has excellent road access and a power line cutting through the western property boundary. Two priority exploration targets have been identified; the South Porphyry zone, and the North Porphyry-Breccia zone. The Company was encouraged by the results of its first phase of exploration in fiscal 2004. The program has confirmed the presence of a large zone of low-grade porphyry copper-molybdenum-gold mineralization at the South porphyry zone, expanded targets at the North porphyry zone, and identified a new high priority exploration target.

During the summer 2005 exploration program, the Company collected approximately 148 soil samples on infill lines to further delineate anomalies identified in the 2004 summer program. The assay results were in line with the 2004 samples and confirmed the anomaly size and shape. Further, the Company undertook a drilling program to test historical intercepts and to attempt to extend known mineralization by drill testing the soil anomaly located on the west side of the fault at the south zone. The work completed to date; mapping, trenching and diamond drilling, has outlined a mineralized porphyry system that is 900 meters by 100 to 180 meters.

The preliminary plan for 2006 includes an IP geophysical survey with a budget of approximately \$10,000.

b) Palomino

During the year ended September 30, 2005, the Company entered into an agreement to acquire the Palomino property situated in the Omineca Mining District of British Columbia. The property is comprised of five mineral claims totaling 2,174 hectares. In order for the Company to acquire a 100% interest in the property, subject to a 1.5% net smelter returns royalty, it must make staged payments aggregating \$66,000, (paid \$6,000 to date), and issue 425,000, (issued 25,000 to date), of the Company's common shares over a five year period. The Company may purchase 1.0% of the vendor's 1.5% net smelter returns royalty for \$1,000,000 upon completing the transaction.

The property is a grass roots prospect that contains many previously unknown zones that have received little exploration. The property is primarily a copper target that has a strong gold showing in the immediate area. There is an association with magnetite and chalcopyrite in select hand samples and core from drill

**MANSON CREEK RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2005**

2) Mineral Properties

British Columbia

b) Palomino (continued)

hole #1, (a drill hole undertaken by the vendor prior to acquisition), and management speculates that this could be the source rock that is at the large magnetic anomaly on the property. Historical sampling results date back to 1927 and included samples assaying 42.5 grams per tonne gold, 171.4 grams per tonne silver, and 9.4 percent copper. Management's tentative plans for 2006 include an IP geophysical survey, prospecting, and drilling of the magnetic target. The approximate cost of this two-phase program is \$67,000.

c) Meridian

During the three months ended December 31, 2005 the Company entered into an agreement to acquire 100% of the Meridian property, subject to a 2.0% net smelter interest, by making staged payments over five years aggregating \$87,500, (paid \$7,500 to date), and issuing 475,000, (issued 25,000 date), of the Company's common shares.

The Company has performed the due diligence visit, and has confirmed to the vendor that the Company will go ahead with the acquisition. In the course of the due diligence visit, a number of samples were taken, including grab samples from dumps proximal to historic mine workings and chip and composite samples taken from within a number of the historical underground workings.

Mine dump samples ranged from 0.53 to 90.6 grams per tonne gold and 0.20 to 563 grams per tonne silver. A composite sample along the length of a 2 meter wide quartz vein in one of the adits ran 46.6 grams per tonne gold and 24.7 grams per tonne silver over a length of 10 meters. The Company is encouraged by these sampling results and is proposing a diamond drill program with a tentative budget of \$265,000.

3) Operating Results

Three months ended December 31, 2005 compared to three months ended December 31, 2004

A summarized statement of operations appears below to assist in the discussion that follows:

| | 2005 | 2004 | Variance (negative) positive |
|--------------------------------|-------------|-------------|---|
| Revenue | | | |
| Interest and other | \$ 2,473 | \$ 904 | \$ 1,569 |
| Expenses | | | |
| General and administrative | 32,775 | 19,374 | (13,401) |
| Professional fees | 756 | 5,277 | 4,521 |
| Other expenses | 4,853 | 2,711 | (2,142) |
| Loss before write-down | (35,911) | (26,458) | (9,453) |
| Write-down of mineral property | - | (533,145) | 533,145 |
| Future Income tax recovery | 14,000 | - | 14,000 |
| Net loss | \$ (21,911) | \$(559,603) | \$ 537,692 |

The decreased write-off of mineral property costs of \$533,000 was the primary contributor to the decreased loss. The prior period write-off pertained to NAD, Yukon as management determined that it was unlikely that further exploration would be undertaken on this property, even though certain of the claims continued to be in good standing. There were no properties written-off during the current period.

The increase in general and administrative expenses of \$13,000 pertained primarily to activities directed at increasing the Company's profile and investor awareness. The Company invested \$5,000 in upgrading their website. The President of the Company attended the 2006 Mineral Exploration Round-up in

**MANSON CREEK RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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3) Operating Results (continued)

Vancouver and presented at an investment conference while there. Preparation and attendance time resulted in an increase in administrative costs of approximately \$5,000. There were costs associated with maintaining a booth at the Round-up and travel costs associated therewith. This resulted in an increase of \$5,000 in promotion costs over the comparative period.

The future income tax recovery pertains to the draw-down of future taxes that were booked as a result of the renunciation of flow-through expenditures to investors during the current period. The Company has unrecognized future income tax recoveries that are being recognized as losses are incurred, to reduce the future tax provision associated with the renunciation.

The following summarizes the components of professional fees included in the statement of earnings:

| | Three months ended December 31, 2005 | Three months ended December 31, 2004 |
|-----------------------|---|---|
| Legal and filing fees | \$ 756 | \$ 277 |
| Audit fees | - | 5,000 |
| Total | <u>\$ 756</u> | <u>\$ 5,277</u> |

The decrease in audit fees is attributable to the change in the timing of recording audit fees. The Company had simply recorded fees in the invoice period in the past due to their immateriality. During the year ended September 30, 2005, the Company began to accrue the audit fees relating to the audit of that fiscal period.

4) Liquidity and Capital Resources

The Company's working capital position at December 31, 2005 was \$439,000, (September 30, 2005 - \$509,000). The Company expended \$49,000, on mineral property exploration during the three months ended December 31, 2005, (\$5,000 – period ended December 31, 2004) and \$32,000 on operations during the three months ended December 31, 2005, (\$28,000 – period ended December 31, 2004). The Company expended significantly less on mineral exploration in the comparative period due to dwindling cash resources in the period leading up to the private placement that was completed in early March, 2005.

The decrease in both receivables and payables from September 30, 2005 to December 31, 2005, related to the timing of mineral exploration expenditures. The Company had experienced significant activity in the last quarter of fiscal 2005 associated with the summer programs when exploration traditionally takes place. As a result there were greater exploration-related payables at September 30, 2005. Further, the Company had a \$22,000 GST tax credit receivable at September 30, 2005 versus \$6,000 at December 31, 2005. The much larger tax credit receivable at September 30, 2005 related to GST paid on the sizable exploration expenditures incurred in the last quarter of fiscal 2005.

The Company received \$4,200 during the three months ended December 31, 2005 upon the exercise of warrants to acquire 30,000 common shares at \$0.14 per share.

5) Contractual Obligations

The Company has office base rent obligations, (see note 5 to financial statements), of \$40,100 for the remainder of fiscal 2006 and \$13,400 for fiscal 2007. Related companies are obligated, pursuant to sublease agreements, to reimburse the Company for 75% of these costs.

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5) Contractual Obligations (continued)

As at December 31, 2005, aggregate unpaid mineral property cash payments and share issuances, by fiscal year required to complete the acquisitions of the CR, Cuprum, Palomino and Meridian properties are as follows:

| <u>Fiscal year of payment</u> | <u>Cash</u> | <u>Common Shares</u> |
|-------------------------------|------------------|----------------------|
| 2006 | \$ 15,000 | 100,000 |
| 2007 | \$ 50,000 | 300,000 |
| 2008 | \$ 70,000 | 400,000 |
| 2009 | \$ 70,000 | 475,000 |
| 2010 | <u>\$ 70,000</u> | <u>450,000</u> |
| Total | <u>\$275,000</u> | <u>1,725,000</u> |

The Company can choose to terminate any of these agreements at any time without a requirement for further cash and share payments.

6) Financing

On March 8, 2005, the Company closed a non-brokered private placement for gross proceeds of \$750,000. The Company issued 5,454,545 non-flow-through units at \$0.11 per unit and 1,071,428 flow-through units at \$0.14 per unit. Each of the 5,454,545 units was comprised of one common share and one purchase warrant that may be exercised at \$0.14 to March 7, 2007 to acquire one common share. Each of the 1,071,428 flow-through units was comprised of one flow-through common share and one non-flow-through warrant that may be exercised at \$0.14 to March 7, 2007 to acquire one common share. The proceeds of the private placement were earmarked to undertake a drill program on the CR property in British Columbia, to evaluate new mineral prospects and for working capital purposes. The fiscal 2005 mineral property expenditures that were financed by this private placement aggregated approximately \$300,000 and current period expenditures \$49,000.

The Company has sufficient cash to fund the current year's administrative requirements. If the Company is to undertake all of the proposed exploration, it will have to raise additional equity. If the Company is unable to raise additional equity at a favorable per share price, it will scale back its exploration programs accordingly.

7) Selected Annual Financial Information

The following selected financial data has been extracted from the audited financial statements, prepared in accordance with Canadian Generally Accepted Accounting Principles, for the fiscal years indicated and should be read in conjunction with those audited financial statements.

| For the years ended or as at September 30, | 2005 | 2004 | 2003 |
|---|----------------|---------------|---------------|
| Financial Results | | | |
| Interest and other income | \$ 10,324 | \$ 5,801 | \$ 6,799 |
| Net Loss | \$ (1,010,806) | \$ (120,881) | \$ (440,693) |
| Basic and diluted loss per share | \$(0.05) | \$(0.01) | \$(0.03) |
| Financial Position | | | |
| Working capital | \$ 509,257 | \$ 175,809 | \$ 316,206 |
| Total assets | \$ 1,300,600 | \$ 1,322,593 | \$ 1,348,994 |
| Share Capital | \$ 7,651,822 | \$ 7,104,199 | \$ 7,019,199 |
| Contributed Surplus | \$ 521,334 | \$ 111,334 | \$ 91,334 |
| Deficit | \$(6,938,372) | \$(5,927,566) | \$(5,806,685) |

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8) Selected Quarterly Information

The following selected financial data has been extracted from the unaudited financial statements, prepared in accordance with Canadian Generally Accepted Accounting Principals, for the fiscal periods indicated and should be read in conjunction with those unaudited financial statements.

| Three months ended: | Dec. 31 2005 | Sept. 30 2005 | June 30 2005 | March 31 2005 | Dec. 31 2004 | Sept. .30 2004 | June 30 2004 | Mar. 31 2004 |
|--|-----------------|------------------|-----------------|------------------|-----------------|-------------------|-----------------|-----------------|
| Interest & Other | \$ 2,473 | \$ 4,777 | \$ 3,509 | \$1,134 | \$ 904 | \$1,203 | \$ 929 | \$ 2,035 |
| Net loss before mineral property write-offs and property proceeds | (35,911) | \$ (48,181) | \$(165,456) | \$(42,608) | \$ (26,458) | \$(25,825) | \$ (18,300) | \$ (36,822) |
| Mineral property (write-offs) net of proceeds in excess of carrying cost | - | \$(191,833) | \$ - | \$(3,125) | \$(533,145) | \$ (8,248) | \$ (7,708) | \$ - |
| Net Loss before tax | (35,911) | \$(240,014) | \$(165,456) | \$(45,733) | \$(559,603) | \$(34,073) | \$ (26,008) | \$ (36,822) |
| Future income tax recovery | 14,000 | - | - | - | - | - | - | - |
| Net Loss | (21,911) | \$(240,014) | \$(165,456) | \$(45,733) | \$(559,603) | \$(34,073) | \$ (26,008) | \$ (36,822) |
| Basic and diluted loss per share | \$ 0.00 | \$ (0.01) | \$ (0.01) | \$ 0.00 | \$ (0.03) | \$ (0.01) | \$ 0.00 | \$ 0.00 |

The significant loss in the quarter ended June 30, 2005 is primarily attributable to stock-based compensation expense of \$130,000 being recorded in the period that stock options were granted. This is a non-cash charge. Interest revenue varies with the amount of invested cash and interest rates. The most significant influence on net income/loss is the amount of mineral property write-offs and stock-based compensation expenses. General and administrative expenses are higher in the quarter ended March 31 as annual report and other annual mailings as well as annual meeting costs tend to be incurred almost exclusively in this period. The result is a higher net loss before mineral property write-offs in these periods.

9) Directors and Officers

| | |
|--------------------|-----------------------------|
| Regan Chernish | Director and President |
| Jean Pierre Jutras | Director and Vice-President |
| James Devonshire | Director |
| Shane Ebert | Director |
| Doug Bryan | Director |
| Shari Difley | Chief Financial Officer |
| Barbara O'Neill | Corporate Secretary |

10) Management Remuneration

The President, Vice-President and Chief Financial Officer bill the Company through their majority-owned companies or individually for number of days or hours worked. Their rates and annual billings for the three months ended December 31, 2005 are as follows:

| <u>Officer and position</u> | <u>Rate</u> | <u>Billings for the three months ended December 31, 2005</u> |
|-------------------------------------|----------------|--|
| Mr. Chernish, President | \$475 per day | \$ 25,400 |
| Mr. Jutras, Vice-President | \$400 per day | \$ - |
| Ms. Difley, Chief Financial Officer | \$ 60 per hour | \$ 4,400 |

Ms. O'Neill is employed by a related corporation. The related corporation bills the Company quarterly for the Company's share of her salary, based on time devoted to Company business. Ms. O'Neill's salary billed for the three months ended December 31, 2005 aggregated \$1,300.

Directors are not remunerated in cash for fulfilling their directorial duties; however they receive stock options in recognition of their service. No stock options were granted during the three months ended December 31, 2005.

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11) Related Party Transactions

The following non-arm's length transactions, (amounts rounded to nearest \$1,000), occurred during the three months ended December 31, 2005:

- i) received or accrued \$10,000 from corporations related by virtue of common officers and directors for rent of shared office space and \$9,000 for lease operating and office costs.
- ii) paid or accrued \$32,000 for consulting fees charged by officers and directors or their companies on a per diem basis for geological, (geological billings for work specifically related to a mineral property is capitalized to that property), accounting and administrative services provided.
- iii) paid or accrued to a corporation related by virtue of certain common officers and directors \$5,000 for allocated office and secretarial expenses

The purpose of related company office and rent charges is to realize certain economies associated with sharing office space and administrative services. 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.

12) Exploration Expenditures

Refer to the Schedule to the financial statements for expenditures incurred during the period on the various properties.

13) Capital Stock and Contributed Surplus

a) Authorized and Issued

Authorized: Unlimited number of voting common shares
Unlimited number of Class A preferred shares, issuable in series
Unlimited number of Class B preferred shares, issuable in series

There were no capital stock transactions from December 31, 2005 to February 20, 2006. See note 3 to the financial statements for details of transactions during the period from September 30, 2005 to December 31, 2005.

b) Stock Options and Warrants

i) Options

No options were granted, cancelled or exercised during the period from December 31, 2005 to February 20, 2006. Refer to Note 3 for details of options outstanding and option transactions as at, and for the period ended December 31, 2005.

ii) Warrants

During the period from December 31, 2005 to February 20, 2006 no warrants were exercised or granted and none expired. Outstanding warrants at December 31, 2005 aggregated 6,495,973. Refer to note 3 for details of warrants outstanding at year end including the terms of the warrants.

14) Investor Relations

With the exception of responding to shareholder inquiries, the Company undertook minimal investor relation activities during the three months ended December 31, 2005. The Company does not employ a dedicated "investor relations" individual or firm.

15) Outlook

The Company's primary objective is to discover mineral resources in economic quantities capable of supporting an operating mine. As the Company does not have expertise in operating a mine, should it discover such a promising property, it would attempt to ally with a more senior mining company that might option-in on the property or purchase the property outright. Preliminary plans include drilling on Meridian, IP surveys for Palomino and CR, magnetic and geochemical surveying on Cuprum, and drilling on Palomino, as well as identifying possible new projects. In addition, the Company will undertake the final removal of fuel drums and other field supplies from their Yukon properties.

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16) Risks

The success of the Company's business is subject to a number of factors including, but not limited to, those risks normally encountered in the mineral exploration industry such as operating hazards, exploration uncertainty, increasing environmental regulation, competition with companies having greater resources, and lack of operating cash flow. As the Company relies on the sale of its common shares to finance operations and exploration, the state of the markets will affect its ability to raise further funds. The state of the markets is dependent on investor confidence and the price of mineral resources at any point in time, among other things.

17) Critical Accounting Estimates

The most significant accounting estimate for the Company relates to the carrying value of its mineral property assets. Mineral properties consist of exploration and mining concessions. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sales or abandonments. The estimated values of all properties are assessed by management on a quarterly basis by reference to 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 decline in value.

Another significant accounting estimate relates to accounting for stock-based compensation. The Company uses the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and vested during the year.

18) New Accounting Policies

There were no new accounting policies adopted during the current period.

19) Cautionary Statements

Statements and/or financial forecasts that are unaudited and not historical are to be regarded as forward-looking statements that are subject to risks and uncertainties that can cause actual results to differ materially from those anticipated. Such risks and uncertainties include risks related to the Company's business including, but not limited to: general market and economic conditions, limited operating history, continued industry and public acceptance, regulatory compliance, potential liability claims, additional capital requirements and uncertainty of obtaining additional financing and dependence on key personnel.

20) Disclosure Controls and Procedures

Management, including the Company's President and Chief Financial Officer, evaluated the effectiveness and operation of the Company's disclosure controls and procedures. The President and Chief Financial Officer concluded that, as of December 31, 2005, the disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required. The Company's President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are also effective to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

21) Other

Additional information relating to the Company may be found on SEDAR at www.sedar.com.