

**MANSON CREEK RESOURCES LTD.**  
**Unaudited Interim Financial Statements**  
March 31, 2007

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 March 31, 2007 nor the unaudited interim statements of operations and cash flows for the three and six month periods ended March 31, 2007 and March 31, 2006.

# Manson Creek Resources Ltd.

## Interim Balance Sheets

	March 31, 2007	September 30, 2006
	(Unaudited)	
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents Note 3	\$ 1,122,333	\$ 644,112
Accounts receivable	7,407	8,818
Related party receivables Note 10	5,827	-
Prepays	<u>5,164</u>	<u>20,076</u>
	1,140,731	673,006
<b>Other assets</b> Note 4	22,382	22,417
<b>Mineral properties and equipment</b> Note 5	<u>707,629</u>	<u>673,039</u>
	<u>\$ 1,870,742</u>	<u>\$ 1,368,462</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 7,932	\$ 32,008
Due to related parties Note 10	27,075	16,534
Asset retirement obligation Note 6	<u>14,424</u>	<u>15,000</u>
	<u>49,431</u>	<u>63,542</u>
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> Note 7	8,548,525	8,133,464
<b>Warrants</b> Note 7	143,000	318,529
<b>Contributed Surplus</b> Note 7	500,863	227,334
<b>Deficit</b>	<u>(7,371,077)</u>	<u>(7,374,407)</u>
	<u>1,821,311</u>	<u>1,304,920</u>
	<u>\$ 1,870,742</u>	<u>\$ 1,368,462</u>
<b>Commitments</b> Note 11		

Approved by the Board

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"R. Chernish" Director

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"J.P. Jutras" Director

See accompanying notes to the financial statements.

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**Manson Creek Resources Ltd.**  
**Interim Statements of Operations and Deficit**  
(Unaudited – prepared by management)

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	<u>Three months ended March 31</u>		<u>Six months ended March 31</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Expenses</b>				
General and administrative	\$ 60,143	\$ 49,166	\$ 108,270	\$ 81,941
Professional fees	1,478	2,793	2,912	3,549
Reporting to shareholders	19,569	21,703	25,464	21,703
Stock exchange and transfer agent fees	2,354	3,981	5,327	7,029
Amortization of capital assets	535	600	1,193	2,406
	<u>(84,079)</u>	<u>(78,243)</u>	<u>(143,166)</u>	<u>(116,628)</u>
<b>Other Income (Expense)</b>				
Interest and other	10,325	3,616	17,230	6,090
Gain on sale of investments	-	6,322	-	6,322
Write-down of mineral properties Note 5	(2,918)	-	(80,734)	-
<b>Loss before income taxes</b>	<u>(76,672)</u>	<u>(68,305)</u>	<u>(206,670)</u>	<u>(104,216)</u>
Future income tax recovery Note 7(b)(iii)	210,000	22,000	210,000	36,000
<b>Net Earnings (Loss)</b>	<u>133,328</u>	<u>(46,305)</u>	<u>3,330</u>	<u>(68,216)</u>
<b>Deficit, beginning of period</b>	<u>(7,504,405)</u>	<u>(6,960,283)</u>	<u>(7,374,407)</u>	<u>(6,938,372)</u>
<b>Deficit, end of period</b>	<u>\$ (7,371,077)</u>	<u>\$ (7,006,588)</u>	<u>\$ (7,371,077)</u>	<u>\$ (7,006,588)</u>
 <b>Earnings (Loss) per share:</b>				
Basic and diluted	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
 <b>Weighted average number of shares outstanding:</b>				
Basic and diluted	<u>34,628,495</u>	<u>23,864,775</u>	<u>31,062,928</u>	<u>23,838,676</u>

See accompanying notes to the financial statements.

# Manson Creek Resources Ltd.

## Interim Statements of Cash Flows

(Unaudited – prepared by management)

	Three months ended March 31		Six months ended March 31	
	2007	2006	2007	2006
<b>Increase (decrease) in cash and cash equivalents</b>				
<b>Operating activities</b>				
Interest and other income received	\$ 10,326	\$ 3,617	\$ 17,230	\$ 6,090
Cash operating expenses	(94,994)	(98,197)	(141,494)	(132,492)
	<u>(84,668)</u>	<u>(94,580)</u>	<u>(124,264)</u>	<u>(126,402)</u>
<b>Financing activities</b>				
Private placement proceeds	-	-	755,000	-
Share issue costs	(409)	-	(53,189)	-
Warrants exercised	-	-	-	4,200
Yukon mineral exploration grant	7,938	-	7,938	-
	<u>7,529</u>	<u>-</u>	<u>709,749</u>	<u>4,200</u>
<b>Investing activities</b>				
Mineral property additions	(20,730)	(17,032)	(107,264)	(66,249)
Proceeds on sale of investments	-	28,734	-	28,734
	<u>(20,730)</u>	<u>11,702</u>	<u>(107,264)</u>	<u>(37,515)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(97,869)</b>	<b>(82,878)</b>	<b>478,221</b>	<b>(159,717)</b>
<b>Cash and cash equivalents,</b>				
Beginning of period	<u>1,220,202</u>	<u>461,448</u>	<u>644,112</u>	<u>538,287</u>
End of period	<u>\$1,122,333</u>	<u>\$ 378,570</u>	<u>\$1,122,333</u>	<u>\$ 378,570</u>

### Supplementary Information:

#### Interest and taxes

The Company did not expend cash on interest or taxes during the six and three month periods ended March 31, 2007 and March 31, 2006.

#### Non-cash transactions

During the six months ended March 31, 2007, the Company issued 225,000 of its common shares, valued at \$21,250, pursuant to option agreements to acquire interests in the Cuprum, Meridian, Black Lake and Gillman mineral properties. The acquisition costs were valued using the closing share price on the transaction date.

During the six months ended March 31, 2006, 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 mineral properties. The acquisition costs were valued using the closing share price on the transaction date.

See accompanying notes to the financial statements.

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# Manson Creek Resources Ltd.

## Notes to the Interim Financial Statements

(Unaudited – prepared by management)

March 31, 2007

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### 1. Basis of presentation, nature and continuance 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.

These financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing or to commence profitable operations in the future.

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, 2006 except for the adoption of Sections 3855 and 1530 of the CICA Handbook as described in note 2 below. These interim financial statements should be read in conjunction with the audited financial statements for the year ended September 30, 2006 as not all disclosures required by Generally Accepted Accounting Principles for annual financial statements are presented.

### 2. Newly adopted accounting policies

Effective October 1, 2006, the Company has adopted the following accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants in 2005. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements.

#### a) Financial Instruments – recognition and measurement (Section 3855)

In accordance with this new standard the Company is required to classify all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations. The Company had neither available-for-sale, nor held for trading instruments during the three and six month periods ended March 31, 2007 and none as at March 31, 2007.

#### b) Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. Accumulated other comprehensive income, if applicable, is included in the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges. The Company had no "other comprehensive income/loss" transactions during the three and six month periods ended March 31, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

# Manson Creek Resources Ltd.

## Notes to the Interim Financial Statements

(Unaudited – prepared by management)

March 31, 2007

### 3. Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid Canadian dollar denominated investments in bankers' acceptances, with terms to maturity of 90 days or less when acquired. The counter-parties are financial institutions. At March 31, 2007, these instruments were yielding an interest rate of 4.2% per annum. These cash equivalents are classified as held-to-maturity investments and are carried at amortized cost.

#### Restricted Cash

Proceeds of \$655,000 received for the issuance of flow-through shares was included in cash and cash equivalents. Approximately \$198,000 of this amount has been expended on qualifying expenditures to March 31, 2007. The \$457,000 unexpended flow-through proceeds may only be used to incur qualifying exploration expenditures on Canadian mineral properties in accordance with Canadian Income tax legislation.

### 4. Other assets

	March 31, 2007	Sept. 30, 2006
Long-term prepaid expense	\$ 3,382	\$ 3,417
Mineral exploration deposits	19,000	19,000
	<u>\$ 22,382</u>	<u>\$ 22,417</u>

### 5. Mineral properties and equipment

The following schedules summarize mineral property transactions during the six months ended March 31, 2007 and March 31, 2006:

2007	Total	Yukon	Saskat- chewan	British Columbia				
		Cuprum	Black Lake	Gillman	Meridian	Palomino	CR	Other
<b>Exploration expenditures:</b>								
<b>Balance September 30, 2006</b>	\$ 551,208	\$ 56,045	\$ -	\$ 30,265	\$ 61,942	\$ 46,814	\$356,014	\$ 128
Geological consulting	23,949	1,371	9,009	998	3,491	2,994	5,611	475
Geochemical analysis	2,964	-	-	206	275	2,029	-	454
Field costs	8,816	365	943	-	19	2,716	4,632	141
Drilling and drilling preparation	13,908	-	-	-	-	13,908	-	-
Travel costs	5,672	596	1,023	482	585	850	1,564	572
Mineral exploration grant	(7,938)	(7,938)	-	-	-	-	-	-
Mineral property write-offs	(71,081)	-	-	-	-	(69,311)	-	(1,770)
<b>Balance March 31, 2007</b>	<b>527,498</b>	<b>50,439</b>	<b>10,975</b>	<b>31,951</b>	<b>66,312</b>	<b>-</b>	<b>367,821</b>	<b>-</b>
<b>Property acquisition costs:</b>								
<b>Balance September 30, 2006</b>	115,312	16,281	-	10,000	11,315	9,653	68,063	-
Costs incurred	69,146	22,996	18,400	9,290	18,250	-	-	210
Mineral property write-offs	(9,653)	-	-	-	-	(9,653)	-	-
<b>Balance March 31, 2007</b>	<b>174,805</b>	<b>39,277</b>	<b>18,400</b>	<b>19,290</b>	<b>29,565</b>	<b>-</b>	<b>68,063</b>	<b>210</b>
<b>Total mineral properties</b>								
<b>March 31, 2007</b>	<b>\$ 702,303</b>	<b>\$ 89,716</b>	<b>\$ 29,375</b>	<b>\$ 51,241</b>	<b>\$ 95,877</b>	<b>\$ -</b>	<b>\$435,884</b>	<b>\$ 210</b>
Equipment	23,115							
Accumulated amortization	( 17,789)							
<b>Total mineral properties and equipment March 31, 2007</b>	<b>\$ 707,629</b>							

# Manson Creek Resources Ltd.

## Notes to the Interim Financial Statements

(Unaudited – prepared by management)

March 31, 2007

### 5. Mineral properties and equipment (continued)

2006	Total	Yukon		British Columbia			
		Cuprum	Tanner	Gillman	Meridian	CR Property	Palomino
<b>Exploration expenditures:</b>							
<b>Balance September 30, 2005</b>	\$602,965	\$ 40,634	\$232,343	\$ -	\$ -	\$326,181	\$ 3,807
Geological consulting	30,949	4,993	5,765	772	9,945	5,717	3,757
Geochemical analysis	871	-	-	-	871	-	-
Field costs	3,491	394	341	28	2,393	184	151
Mineral exploration tax credit	(10,538)	(8,201)	(2,337)	-	-	-	-
<b>Balance March 31, 2006</b>	<b>627,738</b>	<b>37,820</b>	<b>236,112</b>	<b>800</b>	<b>13,209</b>	<b>332,082</b>	<b>7,715</b>
<b>Property acquisition costs:</b>							
<b>Balance September 30, 2005</b>	69,173	5,000	25,610	-	-	38,563	-
Costs incurred	42,259	11,281	575	10,000	10,750	-	9,653
<b>Balance March 31, 2006</b>	<b>111,432</b>	<b>16,281</b>	<b>26,185</b>	<b>10,000</b>	<b>10,750</b>	<b>38,563</b>	<b>9,653</b>
<b>Total mineral properties March 31, 2006</b>	<b>\$739,170</b>	<b>\$ 54,101</b>	<b>\$262,297</b>	<b>\$ 10,800</b>	<b>\$ 23,959</b>	<b>\$370,645</b>	<b>\$ 17,368</b>
Equipment	23,115						
Accumulated amortization	(14,785)						
<b>Total mineral properties and equipment March 31, 2006</b>	<b>\$747,500</b>						

### 6. Asset retirement obligation

Changes in the asset retirement obligation are as follows:

	March 31 2007	September 30 2006
Balance, beginning of year	\$ 15,000	\$ 15,000
Change in retirement accrual	-	15,000
Additional liability incurred	-	18,252
Reclamation work performed during the period	( 576 )	(33,252)
Balance, end of period	\$ 14,424	\$ 15,000

As at March 31, 2007 the Company has included in liabilities an estimated current obligation of \$14,424, (September 30, 2006 -\$15,000), for the removal of empty fuel drums and miscellaneous items from its camp in the Yukon and for trench reclamation at its CR property in British Columbia. Management has determined that it will include the remaining clean-up in its 2007 summer exploration plans. Management has estimated that discounted clean-up obligations for subsequent future periods are not significant.

### 7. Capital Stock, Warrants and Contributed Surplus

#### 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

#### b) Issued:

	Number of Shares	Share Amount	Contributed Surplus	Number of Warrants	Warrants Amount
<b>Balance Sept. 30, 2006</b>	27,236,829	\$8,133,464	\$ 227,334	8,450,519	\$ 318,529
Private placement (net of issue costs of \$53,189)	7,166,666	603,811	-	2,625,000	98,000
Tax effect of flow-through shares	-	(210,000)	-	-	-
Warrant expiry	-	-	273,529	(5,950,519)	(273,529)
Issued pursuant to property acquisitions	225,000	21,250	-	-	-
<b>Balance March 31, 2007</b>	<b>34,628,495</b>	<b>\$8,548,525</b>	<b>\$ 500,863</b>	<b>5,125,000</b>	<b>\$ 143,000</b>

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# Manson Creek Resources Ltd.

## Notes to the Interim Financial Statements

(Unaudited – prepared by management)

March 31, 2007

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### 7. Capital Stock, Warrants and Contributed Surplus (continued)

#### b) Issued:

i) During the six months ended March 31, 2007 the company closed a non-brokered private placement consisting of 5,250,000 non-flow-through units at \$0.10 per unit and 1,916,666 flow-through common shares at a price of \$0.12 per share, for combined proceeds before issue costs of \$755,000. Each non-flow-through unit consisted of one common share and one-half of one share purchase warrant to acquire one common share at \$0.13 per share to December 28, 2008. The warrants issued pursuant to the private placement were valued at \$98,000. In valuing the warrants, the Company utilized the Black Scholes Option Pricing Model assuming volatility of 98.9%, a risk-free interest rate of 4.02%, a one year expected warrant life, and a 0% dividend rate.

ii) During the six months ended March 31, 2007, the Company issued 50,000 shares pursuant to the Cuprum, Yukon mineral property acquisition; 75,000 shares for each of the Meridian, British Columbia and Black Lake, Saskatchewan mineral property acquisitions and 25,000 shares, pursuant to the Gillman, British Columbia mineral property acquisition. The acquisition costs were valued using the market price of the Company's shares on the issue date.

iii) During the three months ended March 31, 2007, the Company renounced, in aggregate, \$655,000 of flow-through share tax benefits that pertained to the April, 2006 and December 2006, flow-through financings. The tax effect of \$210,000 has been recorded as a reduction of capital stock. The deferred taxes that resulted from this transaction were completely offset through the utilization of previously unrecognized tax benefits. This resulted in a future income tax recovery in the current periods ended March 31, 2007.

#### c) Outstanding options

The following summarizes options outstanding at March 31, 2007 which may be exercised to purchase the number of common shares indicated.

<u>Expiry Date</u>	<u>Number of Shares</u>	<u>Price</u>
May 29, 2007	315,000	\$0.11
May 12, 2010	700,000	\$0.16
April 26, 2011	100,000	\$0.14
	<u>1,115,000</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 trading price per share for the last five trading days before the grant date. All of the above options vested immediately upon granting.

#### d) Option transactions

No option transactions occurred during the three and six month periods ended March 31, 2007. Between March 31, 2007 and May 22, 2007 stock options were exercised to acquire 175,000 common shares at \$0.11 per share for total consideration of \$19,250.

# Manson Creek Resources Ltd.

## Notes to the Interim Financial Statements

(Unaudited – prepared by management)

March 31, 2007

### 7. Capital Stock, Warrants and Contributed Surplus (continued)

#### e) Warrants

Warrant transactions during the six month period ended, and balances as at March 31, 2007 are summarized below:

	\$0.14 warrants expiring March 7, 2007	Number of warrants \$0.20 flow- through warrants expiring April 17, 2008	\$0.13 warrants expiring December 28, 2008
Balance Sept.30, 2006	5,950,519	2,500,000	-
Issued pursuant to private placement Note 7(b)(i)	-	-	2,625,000
Warrant expiry	(5,950,519)	-	-
<b>Balance March 31, 2007</b>	<b>-</b>	<b>2,500,000</b>	<b>2,625,000</b>

Each warrant can be exercised to acquire one common share or flow-through share as the case may be at the price indicated in the table above. Subsequent to March 31, 2007 25,000 warrants were exercised to acquire 25,000 common shares at \$0.13 per share for total consideration of \$3,250, leaving 2,600,000 non-flow-through warrants outstanding at May 22, 2007, and 64,706 flow-through warrants were exercised to acquire 64,706 flow-through shares at \$0.20 per share for total consideration of \$12,941 leaving 2,435,294 flow-through warrants outstanding at May 22, 2007.

### 8. Earnings (Loss) per share

The dilutive effect of stock options and warrants was calculated using the treasury stock method. This method calculates the number of incremental shares by assuming the outstanding in-the-money stock options and warrants are exercised, and then reduced by the number of shares assumed to be repurchased from the issuance proceeds, using the average market price of the Company's common shares for the period. Warrants exercisable at \$0.13, \$0.14 and \$0.20 per share respectively and options exercisable at \$0.11, \$0.14, and \$0.16 per share respectively were excluded from the calculation of diluted earnings per share, during the three and six months ended March 31, 2007, as the exercise prices were no greater than the average price of the Company's shares during these periods. Consequently no dilution occurred during these fiscal 2007 periods. During the three and six months ended March 31, 2006, the Company experienced a loss therefore no dilution resulted in these periods.

### 9. Financial instruments

The fair market values of cash and cash equivalents, accounts receivable, related party receivables, deposits, accounts payable and accrued liabilities and due to related parties 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.

### 10. Related party transactions

Companies related by virtue of common officers and/or directors, billed the Company for its share of general and administrative costs and allocated secretarial salaries. The total billed for the six months ended March 31, 2007 was \$16,000 (2006 - \$11,000). 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 six months ended March 31, 2007 was \$68,000, (2006 - \$62,000). Related party payables at March 31, 2007 and September 30, 2006 related to unpaid consultants' billings and general and administrative and secretarial billings.

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# Manson Creek Resources Ltd.

## Notes to the Interim Financial Statements

(Unaudited – prepared by management)

March 31, 2007

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### 10. Related party transactions (continued)

The Company sublet office space to companies related by virtue of certain common officers and directors. Further, the Company incurred certain administrative costs on behalf of these related parties and billed them for their share of such costs. The aggregate base rent, operating and administrative costs charged to the related companies was \$52,000 during the six months ended March 31, 2007, (2006-\$48,000). Related party receivables at March 31, 2007 relate to the unpaid portion of these billings.

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

### 11. Commitments

During the year ended September 30, 2006, the Company extended its office lease for an additional five years commencing January 1, 2007 and expiring December 31, 2011. The new lease results in the following annual base lease commitments by fiscal year as of March 31, 2007:

2007	\$46,700	2009	\$93,500	2011	\$93,500
2008	\$93,500	2010	\$93,500		

Two companies related by virtue of common officers and/or directors are, in aggregate, committed to pay 69% of the above-noted rent pursuant to sublease agreements.

Pursuant to mineral property acquisition agreements, the Company is committed to make payments in cash and shares of its common stock. Should the Company decide to terminate the option agreements at any time, it is not liable for future cash and share issuances. Assuming that the Company does not terminate any of the agreements in place at March 31, 2007, the Company is committed to the following cash and share issuance payments:

<u>Fiscal Year payment is due</u>	<u>Cash Commitment</u>	<u>Share Issuance Commitment</u>
Remainder of 2007	\$ 15,000	100,000
2008	\$ 75,000	475,000
2009	\$ 75,000	600,000
2010	\$ 70,000	550,000
2011	\$ 30,000	150,000
	<u>\$265,000</u>	<u>1,875,000</u>

### 12. Comparative Figures

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

**MANSON CREEK RESOURCES LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS ENDED MARCH 31, 2007**

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The information included in this document should be read in conjunction with the audited financial statements for the six months ended March 31, 2007 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 May 22, 2007. 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.

**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 \$25,000 to date), and issue 450,000, (issued 100,000 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%, (three quarters of the vendor's interest), could be purchased at the discretion of the Company for \$1,500,000.

The 2006 geophysical survey and geochemical survey on the property was completed in July. The magnetic survey data outlined a weak to moderately magnetic causative body that is over 1,000 meters in length in an overburden-covered area. The newly discovered magnetic feature, the "Wishbone Anomaly," is comprised of two limbs each approximately 500 meters in length with widths of 80 to 140 meters. The west limb of the Wishbone Anomaly is located along strike, and to south the known skarn system that is exposed in discontinuous outcrop for a strike length in excess of 700 meters. The geophysical survey does not cover the entire anomaly to the south where it is thought the limbs converge. The east limb is of particular interest as 2006 soil samples over the magnetic anomaly returned assay values of 44 to 201 parts per million copper, 204 to 1,275 parts per million zinc, and 10 to 331 parts per million lead, and 0.2 to 1.2 parts per million silver. The Company staked an additional 160 hectares adjacent to the Cuprum claims to fully encompass the anomaly.

The Company is investigating the feasibility of using a lightweight percussion drill to test the coincident

**MANSON CREEK RESOURCES LTD.  
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**2) Mineral Properties**

**Yukon**

**Cuprum** (continued)

magnetic and geochemical anomaly on the east limb of the Wishbone Anomaly as well as a number of the mineralized zones outlined by the 2005 work. An existing bulldozer trail from the Alaska Highway to the center of the property would enable the Company to complete a cost-effective 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 Omineca Mining District of British Columbia. In order to earn a 100% interest, the Company must make cash payments aggregating \$92,500, (paid \$37,500 to date), and issue 575,000 common shares, (issued 200,000 to date), over five years. The vendor will retain a 1.5% net smelter return, 1.0% of which, (two thirds of the vendor's interest), may be purchased by the Company for \$1,000,000.

The property consists of 2 recorded claims totaling approximately 1,300 hectares, as one of the peripheral tenures was allowed to lapse in 2006. 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 surface exploration in fiscal 2004. The program 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 the end of fiscal 2005; mapping, trenching and diamond drilling, outlined a mineralized porphyry system that is 975 meters in strike length by 100 to 180 meters in width.

The 2006 IP geophysical survey identified a 325 meter by up to 200 meter chargeability anomaly. The anomaly corresponds to the western portion of the drill-defined mineralized porphyry and it continues along strike to the west of the known porphyry for an additional 150 meters. This could represent a further extension of the known 975 meters long, (100 – 180 meter wide), mineralized porphyry that is open along strike and depth.

The Company completed 1,988 meters of diamond drilling in May, 2007 as a follow up to the 2005 diamond drilling and the 2006 IP geophysical survey. The drilling program, had an early stage budget of \$264,000, and management of the Company expects that the program will be within budget. Drill results are expected near the end of June, 2007.

**b) Palomino**

Drilling was undertaken in September and October, 2006 and successfully tested the strong magnetic anomaly and flanking chargeability anomaly identified by the IP survey. Upon receipt and analysis of the assay results in December, 2006, the Company decided, due to the overall lower copper/gold grades than originally targeted, to terminate the option on the Palomino property so that it may focus its activity on its other more promising exploration projects. As a result, the capitalized costs associated with this property were written-off during the six months ended March 31, 2007.

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**2) Mineral Properties** (continued)

**c) Meridian**

During the year ended September 30, 2006 the Company entered into an agreement to acquire 100% of the Meridian property, subject to a 2.0% net smelter interest three quarters of which may be purchased by the Company for \$1,500,000, by making staged payments over five years aggregating \$87,500, (paid \$17,500 to date), and issuing 475,000, (issued 100,000 to date), of the Company's common shares.

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 assayed 46.6 grams per tonne gold and 24.7 grams per tonne silver over a length of 10 meters. The Company, encouraged by these sampling results, had planned a two-stage diamond drill program for the summer of 2006. During the fourth quarter of 2006, the drilling company that had been contracted to complete this drilling indicated that it would be unable to fulfill its drilling obligation. Since then, significant rainfall in the area has caused a landslide that is impairing road access to the drill site. Management has put drilling plans on temporary hold as a result of limited access and due to a greater focus on the CR and Black Lake properties this exploration season.

**d) Gillman**

During the year ended September 30, 2006 the Company entered into an agreement to acquire 100% of the Gillman property, subject to a 2.0% net smelter interest three quarters of which may be purchased by the Company for \$1,500,000, by making staged payments over five years aggregating \$95,000, (paid \$15,000 to date), and issuing 475,000, of the Company's common shares, (issued 25,000 to date).

The property consists of contiguous mineral tenures aggregating 1,179 hectares. The claim group envelopes 7.4 kilometers of the mineralized Camborne fault structure that hosts the majority of the mineral occurrences in the district. This new claim group, along with the adjacent Meridian property, gives the Company exposure to over 1,800 hectares of very favorable stratigraphy in the prolific Beaton-Camborne Camp. The Beaton-Camborne camp hosts 86 mineral deposits of which 18 are past producers having a reported combined production of more than 60 million grams of silver and significant amounts of gold, lead and zinc.

The Company completed a prospecting program in May, 2006 resulting in the discovery of the "Allison" silver/lead/zinc showing. This new mineral occurrence is located on a fault structure parallel to the dominant north trending Camborne regional fault. This fault is intimately tied to the mineralization of the area. Prospecting and geological mapping, focusing on the Gillman and Silver dollar mineral occurrence areas, was completed in July, 2006 in conjunction with the drill road construction on the nearby Meridian claim group. A program of additional geological mapping and sampling on the Gillman/Silver Dollar property was completed in August, 2006. The Company has identified five distinct precious and base metal zones to date. The five zones, each comprised of a number of mineralized showings, occur within a several hundred meter wide zone of locally sheared and silicified metasedimentary rocks paralleling the prominent Camborne Fault. Assay results from the August sampling indicated gold in the range of 0.08 to 25.2 grams per tonne and silver in the range of 1.9 grams per tonne to 1,265 grams per tonne.

Management is temporarily postponing exploration on this property due to limited road access as a result of the significant precipitation in the area and due to a greater focus on the CR and Black Lake properties this exploration season.

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**2) Mineral Properties** (continued)

**Saskatchewan**

**Black Lake**

During the six months ended March 31, 2007, the Company entered into an acquisition agreement to acquire 100% of 7 mineral claims, subject to a 1.5% net smelter interest, by making staged payments over three years aggregating \$20,000, (paid \$10,000 to date), and issuing 400,000, of the Company's common shares, (issued 75,000 to date). The Company has the option to purchase two thirds of the vendor's net smelter interest, (a 1.0% interest), for \$1,500,000.

The claims, comprising approximately 5,484 hectares, are approximately 30 kilometers east of Stony Rapids in northern Saskatchewan. The property will be explored for basement-hosted uranium deposits. The claims host known uranium occurrences, and are located within, or near, major regional trends believed to be active during the mineralizing processes. Areas of the Black Lake property have seen varying levels of historic exploration including limited diamond drilling.

The Company will complete a two-phased exploration program on the property beginning mid-May. The first phase of exploration will include geological mapping, sampling, prospecting, and ground-based radiometric surveys. This work will expand upon historical mineralized zones and delineate priority zones for diamond drilling. The second phase of the program is expected to commence in early July, including a 2,000 meter diamond drill program. The Company contracted the services of a drilling company subsequent to period-end. A helicopter portable diamond drill rig will be used to test both historical showings and any prospective uranium mineralization targets delineated during phase one.

Early stage budgets estimated the phase one program to approximate \$74,000 and the phase two program to approximate \$490,000. After preliminary visits to the property, management has determined that the phase one budget could increase approximately \$50,000 and will reassess the phase two budget after phase one is complete.

**3) Operating Results**

**Six months ended March 31, 2007 compared to six months ended March 31, 2006:**

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

	<b>2007</b>	<b>2006</b>	<b>Variance (negative) positive</b>
Interest and other	\$ 17,230	\$ 6,090	\$ 11,140
General and administrative	(108,270)	(81,941)	(26,329)
Reporting to shareholders	(25,464)	(21,703)	(3,761)
Other	(9,432)	(12,984)	3,552
Write-down of mineral property	(80,734)	-	(80,734)
Gain on sale of investments	-	6,322	(6,322)
Future income tax recovery	210,000	36,000	174,000
<b>Net earnings (loss)</b>	<b>\$ 3,330</b>	<b>\$ (68,216)</b>	<b>\$ 71,546</b>

The future tax recovery was the primary contributor to increased earnings. The recovery pertained to the tax effect of flow-through share renunciations. The tax effect was recognized in the period in which the tax benefits were renounced to the shareholders. Since the Company had unrecognized tax benefits, a tax recovery was recorded to offset the future tax liability that would have been recorded in conjunction with the reduction in capital stock. The increased write-off of mineral property costs of \$81,000 was the primary contributor to increased expenses. The current period write-off pertained to the Palomino, B.C. property as management determined that drill results were not sufficient to warrant carrying on further exploration and incurring further acquisition costs in the future.

**MANSON CREEK RESOURCES LTD.  
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**3) Operating Results** (continued)

**Six months ended March 31, 2007 compared to six months ended March 31, 2006**

Interest income increased primarily as a result of increased cash pertaining to the private placement undertaken in the current period. Reporting to Shareholder costs increased approximately \$4,000 over the comparative period. Printing and postage costs have increased and certain costs were incurred earlier in the current period than in the comparative period. The Company incurred a gain on sale of investments during the six months ended March 31, 2006 as a result of selling shares that it had received pursuant to an option agreement that dated back many years. The Company no longer has any significant investment holdings.

General and administrative costs increased approximately \$26,000 over the comparative period. The following summarizes the major expense categories comprising general and administrative expenses for the six months ended March 31, 2007 and March 31, 2006:

	<b>Six months ended March 31, 2007</b>	<b>Six months ended March 31, 2006</b>
Administrative consulting fees	\$ 45,310	\$ 33,202
Travel and promotion	19,516	14,493
Occupancy costs	17,944	13,465
Office, secretarial and supplies	15,490	10,903
Insurance	6,023	1,788
Miscellaneous	1,646	2,149
Networking/website	2,341	5,941
Total	<u>\$ 108,270</u>	<u>\$ 81,941</u>

The increase in administrative consulting fees of \$12,000 represented the greatest increase in expenses. The President of the Company attended the January, 2007 Mineral Exploration Round-up in Vancouver, an investment conference in Vancouver, and the PDAC in Toronto. Further, the President devoted a significant amount of time to accessing equity financing and attending to various administrative requirements associated with the financing that took place in December, 2006. Travel and promotion increased approximately \$5,000. The costs included in the current period pertained to the conferences discussed above, including promotional materials, travel, conference fees, booth fees etc. The Round-up and investment conference were held on separate weekends this year resulting in more travel costs, whereas in the previous year they were held back-to-back requiring only one round trip flight. The \$4,500 increase in occupancy costs related to the new office lease at the higher per square foot rates that are reflective of the current rental market in Calgary. Office, secretarial and supplies expense increased approximately \$5,000. The bulk of the increase pertains to the administrative time associated with the private placement financing that occurred in December, 2006 as well as a general increase in activity levels in the Company. Insurance costs have increased substantially due to a sharp increase in premiums. During the six months ended March 31, 2006, the Company invested \$5,000 in upgrading their website. The current period's expenses related to website maintenance.

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

	<b>Six months ended March 31, 2007</b>	<b>Six months ended March 31, 2006</b>
Legal and filing fees	\$ 4,125	\$ 2,249
Audit fees	(1,213)	1,300
Total	<u>\$ 2,912</u>	<u>\$ 3,549</u>

Filing fees increased over the comparative period due to fees associated with the property acquisition and an increased number of news releases during the period. The current period included an audit fee recovery because actual fees were less than those accrued at September 30, 2006, while actual audit fees incurred in the comparative period were greater than those accrued.

**MANSON CREEK RESOURCES LTD.  
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**3) Operating Results** (continued)

**Three months ended March 31, 2007 compared to three months ended March 31, 2006**

The Company recorded earnings of \$133,328 for the three months ended March 31, 2007 and a loss of \$46,305 for the three months ended March 31, 2006. The significant variances quarter to quarter that resulted in an increase in earnings of \$180,000 were as follows:

	<b>Three months ended March 31, 2007</b>	<b>Three months ended March 31, 2006</b>	<b>Variance</b>
<b>General and administrative expense</b>	<b>\$ ( 60,143)</b>	<b>\$ ( 49,166)</b>	<b>\$ ( 10,977)</b>
<b>Interest and other income</b>	<b>10,325</b>	<b>3,616</b>	<b>6,709</b>
<b>Gain on sale of investments</b>	<b>-</b>	<b>6,322</b>	<b>(6,322)</b>
<b>Future income tax recovery</b>	<b>210,000</b>	<b>22,000</b>	<b>188,000</b>
<b>Other</b>	<b>( 26,854)</b>	<b>( 29,077)</b>	<b>2,223</b>
<b>Net earnings (loss)</b>	<b>\$ 133,328</b>	<b>\$ ( 46,305)</b>	<b>\$ 179,633</b>

The primary contributing items to the increase in general and administrative expenses in the quarter were travel and promotion, (increase \$3,500), office occupancy costs, (increase \$4,500), and insurance, (increase \$2,000). Promotion costs during the current quarter pertained primarily to the Toronto PDAC conference. A discussion of the other increases, as well as the variances surrounding interest and other income, gain on sale of investments and future tax recovery can all be found above in the six month comparative.

**4) Liquidity and Capital Resources**

The Company's working capital position at March 31, 2007 was \$1,092,000, (September 30, 2006 - \$609,000). The Company expended \$107,000, on mineral property exploration during the six months ended March 31, 2007, (2006 - \$66,000). Cash operating expenses in excess of income aggregated \$124,000 during the six months ended March 31, 2007, (2006 - \$126,000).

The Company received approximately \$702,000 after share issue costs as a result of the December, 2006 private placement of flow-through shares and non-flow-through units. The exercise of warrants in the comparative period contributed \$4,000. The Company received a Yukon Mineral Exploration Grant during the three months ended March 31, 2007 which financed part of the Company's Yukon exploration program.

**5) Contractual Obligations**

Effective January 1, 2007, the Company's office lease was extended for five years. The following summarizes annual base lease commitments as at March 31, 2007 for the ensuing five fiscal years:

2007	\$70,100	2009	\$93,500	2011	\$93,500
2008	\$93,500	2010	\$93,500		

Pursuant to sublease agreements, related companies will be responsible for 69% of the aforementioned payments.

As at March 31, 2007, aggregate unpaid mineral property cash payments and share issuances, by fiscal year required to complete the acquisitions of the CR, Cuprum, Meridian, Gillman and Black Lake properties are as follows:

<u>Fiscal year of payment</u>	<u>Cash</u>	<u>Common Shares</u>
April 1-Sept30/07	\$ 15,000	100,000
2008	\$ 75,000	475,000
2009	\$ 75,000	600,000
2010	\$ 70,000	550,000
2011	\$ 30,000	150,000
<b>Total</b>	<b>\$265,000</b>	<b>1,875,000</b>

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

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**6) Financing**

During April, 2006, the Company completed a \$425,000 non-brokered private placement flow-through financing. The financing consisted of 2,500,000 units issued at \$0.17 per unit. Each unit was comprised of one flow-through share and one warrant to acquire one flow-through share at \$0.20 per share to April 17, 2008. This financing ensured that the Company had sufficient funds for the 2006 exploration program. Should the warrants be exercised, such proceeds will fund future exploration. The Company renounced \$425,000 of qualifying Canadian Exploration Expenses in January, 2007 effective December 31, 2006, has expended \$198,000 of these funds on exploration by March 31, 2007, and will be required to spend the last \$227,000 of the flow-through funds in the Spring/Summer of 2007.

In December, 2006 the Company closed a non-brokered private placement consisting of 5,250,000 non-flow-through units at \$0.10 per unit and 1,916,666 flow-through common shares at a price of \$0.12 per share, for combined proceeds before issue costs of \$755,000. Each non-flow-through unit consisted of one common share and one-half of a share purchase warrant to acquire one common share at \$0.13 per share to December 28, 2008. The financing will provide funds for exploration and working capital needs. The flow-through share proceeds must be expended on qualifying exploration expenditures. The Company renounced the full flow-through proceeds of \$230,000 in January, 2007, effective December 31, 2006 and will expend the proceeds on exploration this spring/summer 2007 exploration season.

**7) Off-Balance Sheet Transactions**

The Company has no off-balance sheet transactions to report.

**8) 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.

<b>For the years ended or as at September 30,</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Financial Results</b>			
Interest and other income	\$ 18,441	\$ 10,324	\$ 5,801
Net Loss	\$ ( 436,035)	\$ (1,010,806)	\$ (120,881)
Basic and diluted loss per share	\$(0.02)	\$(0.05)	\$ (0.01)
<b>Financial Position</b>			
Working capital	\$ 609,464	\$ 509,257	\$ 175,809
Total assets	\$ 1,368,462	\$ 1,300,600	\$ 1,322,593
Capital Stock	\$ 8,133,464	\$ 7,651,822	\$ 7,104,199
Warrants	\$ 318,529	\$ 300,000	\$ 20,000
Contributed Surplus	\$ 227,334	\$ 221,334	\$ 91,334
Deficit	\$(7,374,407)	\$(6,938,372)	\$ (5,927,566)

The large loss in fiscal 2005 was primarily attributable to the write-off of mineral properties aggregating \$728,000, (2006 - \$263,000, 2004 - \$13,000), and the recording of stock option compensation expense of \$130,000, (2006 - \$6,000, 2004 - \$Nil).

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**9) 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:	Mar 31 2007	Dec.31 2006	Sept 30 2006	June 30 2006	March 31, 2006	Dec. 31 2005	Sept. 30 2005	June 30 2005
Interest & Other	\$ 10,325	\$ 6,904	\$ 9,264	\$ 3,088	\$ 3,616	\$ 2,473	\$ 4,777	\$ 3,509
Loss before mineral property write-offs and income tax recoveries	(73,754)	(52,182)	(44,324)	(75,778)	(68,305)	(35,911)	(48,181)	(165,456)
Mineral property write-offs	(2,918)	(77,816)	-	(262,717)	-	-	(191,833)	-
Net Loss before tax	(76,672)	(129,998)	(44,324)	(338,495)	(68,305)	(35,911)	(240,014)	(165,456)
Future income tax recovery	210,000	-	-	15,000	22,000	14,000	-	-
Net Earnings (Loss)	\$133,328	\$(129,998)	\$(44,324)	\$(323,495)	\$(46,305)	\$(21,911)	\$(240,014)	\$(165,456)
Basic and diluted earning (loss) per share	\$0.00	\$0.00	\$0.00	\$ (0.01)	\$ 0.00	\$ 0.00	\$ (0.01)	\$ (0.01)

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. Site restoration expense of \$28,000 in the quarter ended June 30, 2006 contributed to the comparatively larger loss before mineral property write-offs. 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.

**10) Directors and Officers**

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

**11) Management Remuneration**

The President, Vice-President and Chief Financial Officer bill the Company through their majority-owned companies, their employer or individually for number of days or hours worked. Their rates and aggregate billings for the six months ended March 31, 2007 were as follows:

<u>Officer and position</u>	<u>Rate</u>	<u>Billings for the Six months ended March 31, 2007</u>
Mr. Chernish, President	\$499 per day	\$ 56,439
Mr. Jutras, Vice-President	\$400 per day	\$ -
Ms. Difley, Chief Financial Officer	\$ 63 per hour	\$ 11,309

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 six months ended March 31, 2007 aggregated \$7,169.

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 current period. Mr. Ebert, a director, received \$563 during the period for geological services provided to the Company.

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**12) Related Party Transactions**

The following non-arm's length transactions, (amounts rounded to nearest \$1,000), occurred during the six months ended March 31, 2007:

- i) received or accrued \$26,000 from corporations related by virtue of common officers and directors for rent of shared office space and \$26,000 for lease operating and certain administrative expenses.
- ii) paid or accrued \$68,000 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 company related by virtue of certain common officers and/or directors \$16,000 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.

**13) Exploration Expenditures**

Refer to note 5 to the financial statements for the schedule of expenditures incurred on the various properties during the six month periods ended March 31, 2007 and March 31, 2006 respectively.

**14) Capital Stock**

**a) Issued and outstanding**

Refer to note 7 to the financial statements for details on issued and outstanding common shares and transactions during the six months ended March 31, 2007. Details of stock transactions from April 1, 2007 to May 22, 2007 are as follows:

	Number of Shares	Capital Stock Amount	Number of Warrants	Warrants Amount
<b>Balance March 31, 2007</b> (note 7 financial statements)	34,628,495	\$8,548,525	5,125,000	\$ 143,000
Exercise of stock options at \$0.11 per share	175,000	19,250	-	-
Exercise of warrants at \$0.13 per share	25,000	4,183	(25,000)	(933)
Exercise of warrants at \$0.20 per share	64,706	14,106	(64,706)	(1,165)
<b>Balance May 22, 2007</b>	<b>34,893,201</b>	<b>\$8,586,064</b>	<b>5,035,294</b>	<b>\$ 140,902</b>

**b) Stock Options and Warrants**

**i) Options**

No options were granted or cancelled, and none expired during the period from April 1, 2007 to May 22, 2007. During this same period, options were exercised to acquire 175,000 common shares at \$0.11 per share for total consideration of \$19,250.

**ii) Warrants**

During the period from April 1, 2007 to May 22, 2007 no warrants were issued or cancelled and none expired. Warrants to acquire 25,000 common shares at \$0.13 per share were exercised for total consideration of \$3,250. Warrants to acquire 64,706 flow-through shares at \$0.20 per share were exercised for total consideration of \$12,941. Subsequent to this exercise, there remained 2,435,294 warrants to acquire an equal number of flow-through common shares at \$0.20 per share to April 17, 2008 and 2,600,000 warrants to acquire an equal number of common shares at \$0.13 per share to December 28, 2008.

**15) Investor Relations**

Responding to shareholder inquiries and attendance and presentations at conferences, comprised the Company's investor relations activities during the six months ended March 31, 2007. The Company does not employ a dedicated "investor relations" individual or firm, however it employed a Company to perform an investor email campaign subsequent to period-end which entailed electronic dissemination of the Company's May 7, 2007 news release to a specific list of investors.

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**16) 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. Drilling on CR has been completed and the Black Lake phase one and two exploration/drilling program has begun. Unexpended flow-through funds are financing this exploration. After the December, 2006 financing, the Company is now well-positioned to fund its Spring/Summer, 2007 exploration program and to have sufficient funds for general and administrative requirements for the current year. Future financing will be required for subsequent years.

**17) 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 title risks, 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 upon investor confidence and the price of mineral resources at any point in time, among other things.

**18) 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.

The Company's estimate for asset retirement obligations is based on existing laws, contracts or other policies. The value of the obligation is based on estimated future costs for abandonments and reclamations. By their nature, these estimates are subject to measurement uncertainty.

**19) New Accounting Policies**

**Currently adopted**

**Financial Instruments**

Section 3855 of the CICA Handbook prescribes when to recognize a financial instrument on the balance sheet and at what value. It also describes how to present financial instrument gains and losses. The new Canadian rules became effective during the Company's first quarter of fiscal 2007. There were no significant changes to the March 31, 2007 financial statements resulting from the adoption of this accounting policy.

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**19) New Accounting Policies (continued)**

**Comprehensive Income**

Section 1530 of the CICA Handbook addresses the disclosure of changes in equity of an enterprise during a period resulting from transactions and other events and circumstances from non-owner sources. The new Canadian rules became effective during the Company's first quarter of fiscal 2007. There were no significant changes to the March 31, 2007 financial statements resulting from the adoption of this accounting policy.

**20) Cautionary Statements**

Statements and/or financial forecasts that are unaudited and not historical, including exploration budgets, 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. Actual exploration and administrative expenditures can differ from budget due to unforeseen circumstances, changes in the market place that will cause suppliers' prices to change, and additional findings that will dictate that the exploration plan be altered to result in more or less work.

All forward-looking information is stated as of the effective date of this document, and is subject to change after this date. While the Company disclaims any intention to update or revise this statement of forward-looking information, whether as a result of new information, future events or otherwise, it will endeavor to revise information in subsequent Management's Discussion and Analysis documents as circumstances change.

**21) 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 March 31, 2007, 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. It should be noted that while the Company's President and Chief Financial Officer believe that our disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

**22) Internal Controls over Financial Reporting**

The President and Chief Financial Officer have not identified any changes to the company's internal control over financial reporting that would materially affect, or is reasonably likely to materially affect the Company's internal control over financial reporting during the most recent interim period.

**23) Other**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).