

MANSON CREEK RESOURCES LTD.

UNAUDITED INTERIM FINANCIAL STATEMENTS

1st Quarter Reports December 31, 2004

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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, 2004 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, 2004 and December 31, 2003.

**MANSON CREEK RESOURCES LTD.
INTERIM BALANCE SHEETS**

(Unaudited - prepared by management)

December 31 **September 30**
2004 **2004**

ASSETS

CURRENT

Cash and cash equivalents	\$	155,755	\$	188,697
Accounts receivable		3,437		8,747
Due from related parties		17,683		436
Prepays		11,435		12,555
		<u>188,310</u>		<u>210,435</u>

INVESTMENTS AND OTHER ASSETS Note 2

42,653 42,653

MINERAL PROPERTIES AND EQUIPMENT Schedule

545,658 1,069,505

\$ 776,621 \$ 1,322,593

LIABILITIES

CURRENT

Accounts payable and accrued liabilities	\$	40,158	\$	27,205
Due to related parties		8,099		7,421
		<u>48,257</u>		<u>34,626</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK note 3

Issued: 16,420,402 common shares

7,124,199 7,124,199

CONTRIBUTED SURPLUS

91,334 91,334

DEFICIT

(6,487,169) (5,927,566)

728,364 1,287,967

\$ 776,621 \$ 1,322,593

Commitments note 5

Approved on behalf of the Board

"G.A.J.Devonshire" Director

"J.P.Jutras" Director

See accompanying notes to the financial statements

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

Three months ended December 31	2004	2003
REVENUE		
Interest and other	\$ <u>904</u>	\$ <u>1,634</u>
EXPENSES		
General and administrative	19,374	20,942
Professional fees	5,277	5,316
Stock exchange and transfer agent fees	1,922	1,496
Depreciation	789	358
	<u>27,362</u>	<u>28,112</u>
LOSS BEFORE THE UNDERNOTED	(26,458)	(26,478)
Abandonments and write-down of mineral properties	(533,145)	-
Mineral property proceeds in excess of carrying cost	-	2,500
	<u>(559,603)</u>	<u>(23,978)</u>
NET LOSS	(559,603)	(23,978)
DEFICIT, beginning of period	(5,927,566)	(5,806,685)
DEFICIT, end of period	\$ (6,487,169)	\$ (5,830,663)
LOSS PER SHARE		
-basic and diluted	\$ <u>(0.03)</u>	<u>0.00</u>
WEIGHTED AVERAGE SHARES OUTSTANDING - basic and diluted	<u>16,420,402</u>	<u>15,370,402</u>

See accompanying notes to the financial statements

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

Three months ended December 31	2004	2003
Increase (decrease) in cash and cash equivalents		
OPERATING ACTIVITIES		
Interest and other income received	\$ 904	\$ 1,634
Cash operating expenses	<u>(29,306)</u>	<u>(5,543)</u>
	<u>(28,402)</u>	<u>(3,909)</u>
INVESTING ACTIVITIES		
Mineral property additions	(4,540)	(10,174)
Proceeds on sale of mineral property	-	2,500
	<u>(4,540)</u>	<u>(7,674)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(32,942)	(11,583)
CASH AND CASH EQUIVALENTS:		
Beginning of period	<u>188,697</u>	<u>311,056</u>
End of period	\$ <u>155,755</u>	\$ <u>299,473</u>

Supplementary Information:

Interest and taxes

The Company did not expend cash on interest or taxes during the three months ended December 31, 2004 and December 31, 2003 respectively.

See accompanying notes to the financial statements.

MANSON CREEK RESOURCES LTD.
INTERIM SCHEDULE OF MINERAL PROPERTIES AND EQUIPMENT
FOR THE THREE MONTH PERIODS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

2004	Yukon				British Columbia
Exploration and development expenditures:	Total	NAD	Tanner	JRS	CR Property
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				

2003	Yukon			
Exploration and development expenditures:	Total	NAD	Tanner	JRS
Balance September 30, 2003	\$ 913,475	\$ 510,144	\$ 200,680	\$ 202,651
Geological consulting	175	-	175	-
Balance December 31, 2003	913,650	510,144	200,855	202,651
Property acquisition costs:				
Balance September 30, 2003	39,075	23,000	15,190	885
Costs incurred	10,000	-	10,000	-
Balance December 31, 2003	49,075	23,000	25,190	885
Total mineral properties				
December 31, 2003	\$ 962,725	\$ 533,144	\$ 226,045	\$ 203,536
Equipment	12,209			
Accumulated depreciation	(6,129)			
Total mineral properties and equipment December 31, 2003	\$ 968,805			

See attached notes to the financial statements.

MANSON CREEK RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
December 31, 2004
(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, 2004, except for the adoption of the new recommendation of the Canadian Institute of Chartered Accountants relating to asset retirement obligations. These interim financial statements should be read in conjunction with the audited financial statements for the year ended September 30, 2004 as not all disclosures required by Generally Accepted Accounting Principles for annual financial statements are presented.

Continued exploration and operations of the Company are dependent on the Company's ability to complete equity or debt financings. These financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Accordingly they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts that differ from those reflected in these financial statements.

Asset Retirement Obligations

Effective October 1, 2004 the Company adopted the new recommendation of the Canadian Institute of Chartered Accountants relating to asset retirement obligations. This recommendation replaces the previous method of accounting for site restoration costs on an accrual basis. The Company has adopted the standard on a retroactive basis. Under the new standard, a liability, for the fair value of environmental and site restoration obligations, is recorded when the obligations are incurred and the fair value can be reasonably estimated. The obligations are normally incurred at the time the related assets are brought into production. The Company's activities have been focused on exploration directed toward the discovery of mineral resources and consequently no assets have been brought into production to date, hence no obligation has been recorded at this time. The fair value of the obligations is based on the estimated cash flow required to settle the obligations discounted using the Government of Canada Bond Rate for the applicable term adjusted for the Company's credit rating. The fair value of the obligations is recorded as a liability with the same amount recorded as an increase in capitalized costs. The amounts included in capitalized costs are depleted using the unit-of-production method. The liability is adjusted for accretion expense representing the increase in the fair value of the obligations due to the passage of time. The accretion expense is recorded as an operating expense.

2. Investments and other assets

	<u>December 31, 2004</u>	<u>September 30, 2004</u>
Investments (fair value \$27,000, September 30, 2004 - \$23,000)	\$22,412	\$22,412
Mineral exploration deposit	14,000	14,000
Non-current prepaid expenses	6,241	6,241
	<u>\$42,653</u>	<u>\$42,653</u>

3. Capital Stock

a) Issued

There have been no changes to issued and outstanding capital stock during the three months ended December 31, 2004.

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 granted, exercised or cancelled during the three months ended December 31, 2004. The following summarizes outstanding options, including expiries, at December 31, 2004, all of which vested immediately upon granting:

<u>Number of options</u>	<u>Price</u>	<u>Expiry date</u>
1,000,000	\$0.10	July 19, 2006
455,000	\$0.11	May 29, 2007
<u>1,455,000</u>		

MANSON CREEK RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
December 31, 2004

(Unaudited -- prepared by management)

3) Capital Stock (continued)

ii) Warrants

During the year ended September 30, 2004, pursuant to a private placement with CDG Investments Inc., a company related by virtue of certain common officers and directors, the Company issued 500,000 full warrants. Each warrant may be exercised to purchase one common share at \$0.15 per share to December 24, 2005. All of these warrants were outstanding at December 31, 2004.

4. Related Party Transactions

During the three months ended December 31, 2004, the Company billed companies related by virtue of certain common officers and directors \$8,500 for their share of base office lease costs and \$8,000 for their share of lease operating and miscellaneous costs. Related party receivables relate to these charges and goods and services tax thereon.

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, 2004 was \$7,600. 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, 2004 was \$6,500. Related party payables at period end related to 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

Mineral Properties

CR Property, British Columbia

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	-
June 30, 2004(paid)	\$ 5,000	50,000
June 30, 2005	\$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 any shares or make any payments specified in the agreement that pertain to the period after termination.

Office Lease

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

2005	\$48,600
2006	\$48,600
2007	\$12,200

The Company is also committed to pay lease operating costs that vary from year to year, but aggregated approximately \$39,000 during the year ended September 30, 2004. The Company subleases office space to three companies, related by virtue of certain common officers and directors that, in aggregate, contribute 70% of the aforementioned lease amounts as well as 70% of lease operating costs.

**MANSON CREEK RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

Yukon Mineral Properties (continued)

b) JRS

The JRS claims were staked in the summer of 2001. The property consists of 25 claims covering 522 hectares. During the 2002 exploration program, three drill holes totaling 385 meters were drilled approximately 130 meters apart. The 2002 drilling positively identified a new mineralized VMS, (volcanogenic massive sulphide) style occurrence. Numerous intervals of pyrite dominated syngenetic massive sulphide that were intersected carry precious and base metals. Gold values ranged from 0 to 0.38 g/t, silver ranged from 0 to 27.6 g/t, zinc ranged from 0 to 2600 ppm and copper values ranged from 0 to 2760 ppm. Massive sulphide intervals intersected in the initial three drill holes ranged between 2 to 50 centimeters in thickness. Occurrence of intrusion-related type gold-arsenopyrite veins has also been recognized on the property to date. These veins represent an additional exploration target aside from the VMS system. In an effort to preserve cash, the Company determined that it would not carry out an exploration program on this property in fiscal 2004. There has been recent interest by another industry player in adjoining properties, and the Company is evaluating attracting possible joint venture partners.

e) NAD

Management continues to believe that the property has promise from a grass roots perspective. However, after evaluating the property in the current quarter, Management determined that exploration programs would be better devoted to other properties in its portfolio. As a result, although claims continue to be current on the property, Management has decided to write-off the accumulated acquisition and exploration costs during the three months ended December 31, 2004.

British Columbia

a) Kendall

The Company entered into an agreement in February, 2004 to acquire a 100% interest in the Kendall property located in the Cariboo Mining District of British Columbia. The Company paid \$5,000 in cash to the vendor upon signing the agreement. After the Company's initial property evaluation, Management decided to terminate the agreement. As a result, the initial evaluation costs were written-off during the year ended September 30, 2004. The Company has no further payment requirements.

b) CR Property

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 \$7,500 to December 31, 2004), and issue 575,000 common shares, (issued 50,000 to December 31, 2004), 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 38 staked and continuous units totaling approximately 950 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 undertook an exploration program during the summer of 2004 under the supervision of Dr. Shane Ebert, the Qualified Person for the project. The program included geological mapping, 412 meters of backhoe trenching, rock and soil sampling and a ground magnetic survey. The initial budget for this program had been \$30,000, however it was expanded once the initial investigation indicated that further work was warranted. As a result the actual costs incurred approximated \$86,000.

Field work to date has identified a large prospective coincident copper in soils and geophysical anomaly in previously untested areas of the property. The anomaly is interpreted to be related to a mineralized porphyry style system under shallow cover and warrants further work, including drill testing. A total of

**MANSON CREEK RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

British Columbia Mineral Properties

CR Property (continued)

172 rock and 510 soil samples were collected and analyzed by ALS Chemex. Trenches encountered significant mineralized intervals in the porphyry complex including 30 meters grading 0.12% copper and 0.036 % molybdenum and 18 meters grading 0.25% copper and 0.031% molybdenum in continuous representative chip sampling.

The Company is encouraged by the results of its first phase of exploration. 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. The Company will undertake a drilling program with a budget of approximately \$150,000 in the summer of 2005. This program will be funded by the proposed private placement described under "liquidity and capital resources."

3) Operating Results

Three months ended December 31, 2004 compared to three months ended December 31, 2003

The net loss for the current period ended December 31, 2004 of \$560,000 increased by \$536,000 from the comparative three month period.

The write-off of mineral property costs of \$533,000 was the primary contributor to the increased loss. Corporate expenses were relatively unchanged from the comparative period. The decrease in interest and other income of \$700 and the absence of mineral property proceeds in the current period contributed to the remaining increase in loss.

The "proceeds on disposal of mineral properties in excess of carrying costs" in the three months ended December 31, 2003 related to the sale of data regarding a British Columbia mineral property that had been written-off in a previous year.

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

	<u>Three months ended December 31, 2004</u>	<u>Three months ended December 31, 2003</u>
Legal and filing fees	\$ 277	\$ 316
Audit fees	5,000	5,000
Total	<u>\$5,277</u>	<u>\$ 5,316</u>

The following are the significant expenditures included in the General and Administrative expense financial statement category in the Statement of Operations:

	<u>Three Months ended December 31, 2004</u>	<u>Three Months ended December 31, 2003</u>
Administrative consulting fees	\$ 2,014	\$ 5,991
Occupancy costs	6,575	5,429
Office and secretarial	7,385	6,491
Travel and promotion	-	1,335
Insurance	1,955	810
Other	1,445	886
Total	<u>\$ 19,374</u>	<u>\$ 20,942</u>

**MANSON CREEK RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

4) Liquidity and Capital Resources

The Company's working capital position at December 31, 2004 was \$140,000, (September 30, 2004 - \$176,000). The Company expended \$4,000 on mineral property exploration and \$28,000 on operations. The large increase in cash operating expenses compared to the comparative period was due to the Company not having received rent expense reimbursements prior to period end in fiscal 2005 and due to the fact that, in the comparative period, the Company received amounts for rent reimbursement that had been outstanding for a number of periods prior thereto. Barring unforeseen circumstances, current working capital will be sufficient to accommodate the fiscal 2005 operating costs, however equity financing will be required to undertake more than a limited exploration program in the 2005 fiscal year.

The company has announced a proposed private placement intended to inject up to \$750,000 into the Company to fund a drill program on the CR Property budgeted at approximately \$150,000, to evaluate new mineral prospects and to fund working capital requirements. The Private Placement would be comprised of a maximum of 5,454,545 Non-Flow-Through Units issued at \$0.11 per Unit and 1,071,428 Flow-Through Units issued at \$0.14 per Unit. Each of the 5,454,545 Units will be comprised of one common share and one full share purchase warrant that may be exercised to purchase one common share at a price of \$0.14 per share for a period of two years from the date of issue. Each of the 1,071,428 Flow-Through Units will consist of one flow-through common share and one full share purchase warrant that may be exercised to purchase one common share at a price of \$0.14 per share for a period of two years from the date of issue.

5) Contractual Obligations

The Company has office lease obligations and obligations associated with the acquisition of mineral properties as follows, (see note 5 to financial statements):

Office base lease obligation fiscal 2005 and 2006 \$48,600; fiscal 2007 - \$12,200
CR property cash payments and share issuances required to complete acquisition:

<u>Date</u>	<u>Cash</u>	<u>Common Shares</u>
June 30, 2005	\$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>\$85,000</u>	<u>525,000</u>

6) Financing

During the year ended September 30, 2004, the Company undertook a private placement financing for net proceeds of \$100,000. CDG Investments Inc. subscribed to 1,000,000 units of the Company at \$0.10 per unit, with each unit comprised of one common share and one-half of a share purchase warrant. Each whole warrant may be exercised to purchase one common share at \$0.15 per share to December 24, 2005. The proceeds of the financing were earmarked to evaluate new mineral exploration projects with an emphasis on porphyry- style copper/gold targets, for grass roots exploration and for general and administrative costs. Approximately \$90,000 of this was spent on such exploration on the CR and Kendall properties in British Columbia. The remainder was applied to operations.

**MANSON CREEK RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

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 Principals, 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,	2004	2003	2002
Financial Results			
Interest and other income	\$ 5,801	\$ 6,799	\$ 12,670
Net Loss	\$ (120,881)	\$ (440,693)	\$ (153,031)
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)	\$ (0.01)
Financial Position			
Working capital	\$ 175,809	\$ 316,206	\$ 416,702
Total assets	\$ 1,322,593	\$ 1,348,994	\$ 1,784,552
Share Capital	\$ 7,124,199	\$ 7,019,199	\$ 7,110,533
Contributed Surplus	\$ 91,334	\$ 91,334	\$ -
Deficit	\$ (5,927,566)	\$ (5,806,685)	\$ (5,365,992)

8) Selected Quarterly Information

The following selected financial data has been extracted from the unaudited interim 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 2004	Sept.30 2004	Jun.30 2004	Mar.31 2004	Dec 31 2003	Sept 30 2003	Jun 30 2003	Mar 31 2003
Interest & Other	\$ 904	\$1,203	\$ 929	\$ 2,035	\$ 1,634	\$2,104	\$ 2,522	\$ 1,437
Net loss before mineral property write-offs and property proceeds	\$ (26,458)	\$ (25,825)	\$ (18,300)	\$ (36,822)	\$ (26,478)	\$ (22,052)	\$ (19,544)	\$ (44,775)
Mineral property (write-offs) proceeds in excess of carrying cost	\$ (533,145)	\$ (8,248)	\$ (7,708)	\$ -	\$ 2,500	\$ (9,195)	\$ 1,382	\$ (317,335)
Net Loss	\$ (559,603)	\$ (34,073)	\$ (26,008)	\$ (36,822)	\$ (23,978)	\$ (31,247)	\$ (18,162)	\$ (362,110)
Basic and diluted loss per share	\$ (0.03)	\$ (0.01)	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.03)	\$ 0.00	\$ (0.03)

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 or proceeds on mineral properties in excess of carrying costs. 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. The costs associated with the preparation of year-end filings are incurred primarily in the quarter ended December 31, resulting in comparatively higher general and administrative costs and consequently a greater net loss before mineral property adjustments than the preceding period.

9) Directors and Officers

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

**MANSON CREEK RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

10) Related Party Transactions

The following non-arm's length transactions, (amounts rounded to nearest \$1,000), occurred during the three months ended December 31, 2004:

- i) received or accrued \$8,500 from corporations related by virtue of common officers and directors for rent of shared office space and \$8,000 for lease operating and miscellaneous costs.
- ii) paid or accrued \$6,500 for consulting fees charged by officers and directors or their companies on a per diem basis for geological, (some of which is capitalized to mineral properties), accounting and administrative services provided.
- iii) paid or accrued to a corporation related by virtue of certain common officers and directors \$7,600 for allocated office and secretarial expenses

The amounts due to related parties on the balance sheet relate to the expenses described in 1(a)(ii) and (iii) and amounts due from related parties relate to rent and directly allocable administrative charges to related parties plus applicable goods and services taxes. 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.

11) Exploration Expenditures

Refer to the Schedule of Mineral Properties included in the financial statements for expenditures incurred during the year on the various properties.

12) Share Capital

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
Issued: 16,420,402 common shares

There were no changes in issued and outstanding capital stock from September 30, 2004 to December 31, 2004.

b) Stock Options and Warrants

During the year ended September 30, 2004, pursuant to a private placement with CDG Investments Inc., a company related by virtue of certain common officers and directors, the Company issued 500,000 full warrants. Each warrant may be exercised to purchase one common share at \$0.15 per share to December 24, 2005. All of these warrants were outstanding at December 31, 2004. No options expired and none were granted, exercised or cancelled during the three months ended December 31, 2004.

Stock options outstanding at December 31, 2004 are summarized below:

<u>Number of options</u>	<u>Price</u>	<u>Expiry date</u>
1,000,000	\$0.10	July 19, 2006
455,000	\$0.11	May 29, 2007
<u>1,455,000</u>		

13) Investor Relations

With the exception of responding to shareholder inquiries, the Company undertook minimal investor relation activities during the three months ended December 31, 2004. The Company does not employ a dedicated "investor relations" individual or firm.

**MANSON CREEK RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2004**

14) 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. During the 2005 Spring/Summer Exploration season the Company intends to conduct a prospecting program on the Tanner property with an estimated maximum budget of \$30,000. If the Company is able to obtain sufficient equity financing, a drill program will be undertaken on the CR property in British Columbia with an estimated cost of \$150,000.

15) 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, lack of operating cash flow, and foreign currency fluctuations. 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.

16) 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 other than temporary decline in value.

17) New Accounting Policies

Asset Retirement Obligations

During the three months ended December 31, 2004 the Company adopted the new recommendation of the Canadian Institute of Chartered Accountants relating to accounting for asset retirement obligations. This recommendation replaces the previous method of accounting for site restoration costs on an accrual basis. The Company adopted the new standard on a retroactive basis in accordance with the CICA recommendations on Accounting Changes. Under the new standard, a liability for the fair value of environmental and site restoration obligations are recorded when the obligations are incurred and the fair value can be reasonably estimated. The obligations are normally incurred at the time the related assets are brought into production. The Company's activities have been focused on exploration directed toward the discovery of mineral resources and consequently no assets have been brought into production to date. The fair value of the obligations is based on the estimated cash flow required to settle the obligations discounted using the Government of Canada Bond Rate for the applicable term adjusted for the Company's credit rating. The fair value of the obligations is recorded as a liability with the same amount recorded as an increase in capitalized costs. The amounts included in capitalized costs are depleted using the unit-of-production method. The liability is adjusted for accretion expense representing the increase in the fair value of the obligations due to the passage of time. The accretion expense is recorded as an operating expense.

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18) 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.

19) Other

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