



British Columbia Securities Commission

QUARTERLY AND YEAR END REPORT
BC FORM 51-901F

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ISSUER DETAILS		FOR QUARTER ENDED			DATE OF REPORT				
NAME OF ISSUER					Y M D				
MUSKOX MINERALS CORP.		03 08 31			03 12 19				
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CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE		PRINT FULL NAME		DATE SIGNED		
"Roger D. Morton"		ROGER D. MORTON		Y M D		
				04 01 19		
DIRECTOR'S SIGNATURE		PRINT FULL NAME		DATE SIGNED		
"Feisal A. Somji"		FEISAL A. SOMJI		Y M D		
				04 01 19		

MUSKOX MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2003

AUDITORS' REPORT

To the Shareholders of
Muskox Minerals Corp.

We have audited the consolidated balance sheets of Muskox Minerals Corp. as at August 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY"

Vancouver, Canada

Chartered Accountants

December 19, 2003

A Member of *SC INTERNATIONAL*

MUSKOX MINERALS CORP.
CONSOLIDATED BALANCE SHEETS
AS AT AUGUST 31

	2003	2002
ASSETS		
Current		
Cash	\$ 567,482	\$ -
Restricted cash (Note 6)	328,173	-
Receivables	32,140	58,296
Exploration advances	32,500	-
Prepaid expenses and deposits	<u>163,849</u>	<u>41,585</u>
	1,124,144	99,881
Equipment (Note 3)	2,555	1,934
Resource properties (Note 4)	<u>16,963,653</u>	<u>16,940,678</u>
	<u>\$ 18,090,352</u>	<u>\$ 17,042,493</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank overdraft	\$ -	\$ 2,224
Accounts payable and accrued liabilities	106,196	897,184
Loans payable (Note 5)	<u>672,539</u>	<u>631,489</u>
	778,735	1,530,897
Future income taxes (Note 6)	<u>2,795,844</u>	<u>3,165,069</u>
	<u>3,574,579</u>	<u>4,695,966</u>
Shareholders' equity		
Capital stock (Note 7)	16,707,575	14,271,518
Contributed surplus (Note 8)	349,571	-
Deficit	<u>(2,541,373)</u>	<u>(1,924,991)</u>
	<u>14,515,773</u>	<u>12,346,527</u>
	<u>\$ 18,090,352</u>	<u>\$ 17,042,493</u>

Nature and continuance of operations (Note 1)

Commitment (Note 10)

Subsequent events (Note 14)

On behalf of the Board:

"Roger D. Morton"

Director

"Feisal A. Somji"

Director

The accompanying notes are an integral part of these consolidated financial statements.

MUSKOX MINERALS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED AUGUST 31

	2003	2002
EXPENSES		
Administrative	\$ 32,308	\$ 145,763
Amortization	829	829
Business development	-	62,253
Computer and website	6,478	4,434
Consulting fees (Note 8)	297,910	29,049
Directors' fees (Note 8)	194,654	-
Interest	86,286	46,783
Management fees	104,000	96,000
Office and miscellaneous	41,320	76,141
Professional fees	29,031	104,637
Rent	39,000	54,000
Shareholder communications	43,415	33,891
Transfer agent and regulatory fees	27,942	25,764
Travel and related costs	25,594	114,720
	<u>(928,767)</u>	<u>(794,264)</u>
OTHER ITEMS		
Interest income	-	15,726
Gain on settlement of debt	25,299	-
Write-off of resource properties (Note 4)	(210,642)	(184,532)
	<u>(185,343)</u>	<u>(168,806)</u>
Loss before income taxes	(1,114,110)	(963,070)
Future income tax recovery (Note 6)	<u>497,728</u>	<u>963,724</u>
Income (loss) for the year	(616,382)	654
Deficit, beginning of year	<u>(1,924,991)</u>	<u>(1,925,645)</u>
Deficit, end of year	<u>\$ (2,541,373)</u>	<u>\$ (1,924,991)</u>
Basic and diluted earnings (loss) per common share	<u>\$ (0.02)</u>	<u>\$ -</u>
Weighted average number of common shares outstanding	<u>30,056,517</u>	<u>28,691,022</u>

The accompanying notes are an integral part of these consolidated financial statements.

MUSKOX MINERALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED AUGUST 31

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the year	\$ (616,382)	\$ 654
Items not affecting cash:		
Amortization	829	829
Stock-based compensation	349,571	-
Gain on settlement of debt	(25,299)	-
Future income tax recovery	(497,728)	(963,724)
Accrued interest on loans payable	49,485	39,325
Write-off of resource properties	210,642	184,532
Changes in non-cash working capital items:		
Increase in receivables	26,156	820,309
(Increase) decrease in exploration advances	(32,500)	72,105
Increase in prepaid expenses and deposits	(96,965)	(3,248)
Increase (decrease) in accounts payable and accrued liabilities	<u>(790,988)</u>	<u>636,345</u>
Net cash provided by (used in) operating activities	<u>(1,423,179)</u>	<u>787,127</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan payable proceeds (repayment)	(8,435)	29,580
Capital stock issued for cash	2,616,740	200,000
Finder's fee and share issuance costs	<u>(52,180)</u>	<u>-</u>
Net cash provided by financing activities	<u>2,556,125</u>	<u>229,580</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(1,450)	-
Deferred exploration costs	(233,617)	(1,785,922)
Option payments received, net of finder's fee	<u>-</u>	<u>250,000</u>
Net cash used in investing activities	<u>(235,067)</u>	<u>(1,535,922)</u>
Change in cash during the year	897,879	(519,215)
Cash (bank overdraft), beginning of year	<u>(2,224)</u>	<u>516,991</u>
Cash (bank overdraft), end of year	<u>\$ 895,655</u>	<u>\$ (2,224)</u>
Cash is comprised of the following:		
Cash	\$ 567,482	\$ -
Restricted cash	328,173	-
Bank overdraft	<u>-</u>	<u>(2,224)</u>
	<u>\$ 895,655</u>	<u>\$ (2,224)</u>

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these consolidated financial statements.

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2003

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporations Act (Alberta) on August 16, 1996. The Company, through its wholly owned subsidiaries, MuskoX Holdings Ltd. and 913169 Alberta Ltd., is currently in the process of exploring and developing its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production. The Company has not earned significant revenues and is considered to be in the development stage.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with 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. The Company's ability to continue as a going concern is dependent on obtaining continued financial support, completing public equity financing, or generating profitable operations in the future.

	2003	2002
Working capital (deficiency)	\$ 345,409	\$ (1,431,016)
Deficit	(2,541,373)	(1,924,991)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries MuskoX Holdings Ltd., a company incorporated in British Columbia and 913169 Alberta Ltd., a company incorporated in Alberta. All significant inter-company balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equipment and amortization

Equipment, being computer equipment, is recorded at cost less accumulated amortization. Amortization is calculated over their useful lives using the declining balance method at 30% per annum.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Resource properties

The Company capitalizes the costs of acquisition of mineral properties as well as all costs of exploration on the properties. These costs will be amortized over the estimated productive lives of the properties upon commencement of production using the unit-of-production method if commercial ore reserves are developed. Costs related to properties are written-off to operations in the year such properties are abandoned, sold or if management determines there is impairment in value. If continued exploration of a property is not planned in the foreseeable future, costs related to the property are written-off at the time the determination is made.

The revenue earned as a result of the sale or option of a resource property will be applied against the book value of the property. Any revenue received in excess of the property's book value will be included in income at that time. Properties which have reached the production stage will have a gain or loss calculated on the portion of that property sold.

Cost of maintaining resource properties

The Company does not accrue the estimated future costs of maintaining its resource properties in good standing.

Environmental protection and rehabilitation costs

Liabilities related to environmental protection and rehabilitation costs are accrued and charged to income when their likelihood of occurrence is established. This includes future removal and site restoration costs as required due to environmental law or contracts.

Values

The amounts shown for resource properties represent costs incurred to date and do not necessarily reflect present or future values.

Income taxes

Future income taxes are recorded for using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Capital stock is reduced and future income tax liability increased by the estimated tax benefits transferred to shareholders.

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Stock-based compensation

Effective September 1, 2002, the Company adopted the new CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which recommends the fair value-based methodology for measuring compensation costs. The Company has adopted the use of the fair value-based method and therefore all awards to employees and non-employees will be recorded at fair value on the date of grant.

Earnings (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic earnings (loss) per share is calculated using the weighted-average number of shares outstanding during the year.

Comparative figures

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

3. EQUIPMENT

	2003			2002		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 6,939	\$ 4,384	\$ 2,555	\$ 5,489	\$ 3,555	\$ 1,934

4. RESOURCE PROPERTIES

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to its mineral properties and to the best of its knowledge, title to its properties is in good standing.

4. RESOURCE PROPERTIES (cont'd...)

Nunavut Tunngavik Incorporated Claims and Federal Claims

Pursuant to an agreement dated March 25, 1998, MuskoX Holdings Ltd. acquired a beneficial interest in certain mineral claims in Nunavut, Canada by issuing 11,590,418 common shares with a value of \$2,318,084, which represented costs incurred on the claims by the vendor. All the claims, the Nunavut Tunngavik Incorporated ("NTI") claims and the Federal claims, are subject to a 2.5% gross overriding royalty. In addition, the NTI claims are also subject to a 12% net profit royalty. If any claims are utilized in a commercial production, they will be subject to annual rental payments of up to \$150,000. MuskoX Holdings Ltd. subsequently granted an option to acquire a 10% interest in the mineral properties to a former related party (Note 5). The option is exercisable upon the optionee paying \$300,000 to the Company at the earlier of the properties being put into commercial production or December 31, 2020. If the option is exercised, the 10% interest will be converted into a 3% net smelter return royalty in favour of the optionee upon the properties being put into commercial production.

During the year ended August 31, 2001, the Company entered into an agreement with Areté Resources Limited Partnership 2000 ("Areté") whereby Areté incurred \$2,650,002 of exploration expenditures on certain mineral claims of the Company and Areté earned a 2.65% interest in these mineral claims. In addition, the Company issued 243,826 flow-through shares at a price of \$3.00 per share to Areté Capital Corp. The Company paid consulting fees of \$195,500 and is required to issue 127,948 warrants as a finder's fee to Areté Capital Corp. (Note 10). Pursuant to an agreement, Areté transferred the 2.65% interest in these mineral claims to 913169 Alberta Ltd. and the Company exercised the right to buy back the interest for a purchase price of \$3,445,002, equal to 130% of the exploration expenditures expended by Areté. As consideration, the Company issued 1,994,790 common shares of the Company at a price of \$1.727 per share for all of the issued and outstanding common shares of 913169 Alberta Ltd.

During the year ended August 31, 2002, the Company granted an option to purchase up to 50% of the Company's interests in certain mineral claims. As consideration, the Company received \$300,000 and paid \$50,000 as a finder's fee. The option to purchase 50% of the Company's interest in certain mineral claims subsequently expired unexercised. Subsequent to August 31, 2002, the NTI claims were abandoned and consequently, costs related to the NTI claims, totalling \$184,532, were written-off during the year ended August 31, 2002.

During the year ended August 31, 2003, the Company entered into an option agreement with Anglo American (Canada) Ltd. ("AAEC") whereby AAEC can acquire an initial 51% interest in certain mineral claims of the Company by incurring exploration expenditures of \$11,500,000 before August 31, 2008. AAEC may earn an additional 19% interest in certain mineral claims of the Company through additional funding of exploration and development work as well as a feasibility study.

Upon completion of the feasibility study, the Company is required to pay 39% of the cost of the feasibility study and may elect to permit AAEC to earn an additional 5% interest in certain mineral claims of the Company.

In addition, the Company issued 2,777,778 units of the Company to AAEC for \$500,000. Each unit consists of one common share and one common share purchase warrant. The share purchase warrant entitles AAEC to purchase one additional common share at an exercise price of \$0.25 per share for a period of year. The proceeds from the private placement are to be advanced back to AAEC and will be applied towards AAEC's first year of exploration expenditures. As at August 31, 2003, the Company paid \$172,250 and subsequently paid \$327,750 pursuant to the agreement.

During the year ended August 31, 2003, the Company abandoned certain mineral claims and consequently, costs related to these claims, totalling \$210,642, were written off to operations.

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2003

4. RESOURCE PROPERTIES (cont'd...)

Nunavut Tunngavik Incorporated Claims and Federal Claims (cont'd...)

The Company has also obtained the agreement of holders of royalties and other similar interests in certain mineral claims of the Company for the sale of such interest in consideration of a future amount of \$2,000,000.

Mineral property costs and deferred exploration costs are as follows:

	2003	2002
Mineral property costs	\$ 5,837,554	\$ 6,087,554
Less: option payments received, net of finder's fees	<u>-</u>	<u>(250,000)</u>
	5,837,554	5,837,554
Deferred exploration costs	<u>11,126,099</u>	<u>11,103,124</u>
Total	<u>\$ 16,963,653</u>	<u>\$ 16,940,678</u>

Deferred exploration costs incurred are as follows:

	2003	2002
Balance, beginning of year	<u>\$ 11,103,124</u>	<u>\$ 9,501,734</u>
Aircraft charters:		
Fixed wing	-	140,679
Rotary	-	249,796
Anglo American (Canada) Ltd.	172,250	-
Camp maintenance	-	35,969
Camp support	37,500	305,563
Drilling: Drilling	-	98,157
Consulting	-	94,616
Equipment rental	383	61,461
Expediting and freight	-	82,095
Fuel	-	386
Geological and geochemical	5,100	108,602
Geophysics: Airborne	-	140,329
Data Processing and interpretation, modelling	(12,500)	281,645
Project preparation and development	-	43,252
Report writing	19,885	75,174
Telecommunications	10,599	13,090
Tenure, licences and permits	400	30,947
Travel and accommodation	<u>-</u>	<u>24,161</u>
	233,617	1,785,922
Less: costs written off	<u>(210,642)</u>	<u>(184,532)</u>
	<u>22,975</u>	<u>1,601,390</u>
Balance, end of year	<u>\$ 11,126,099</u>	<u>\$ 11,103,124</u>

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2003

5. LOANS PAYABLE

	2003	2002
Loans payable are non-interest bearing, are unsecured and have no fixed terms of repayment. Included in loans payable at August 31, 2003, is \$12,345 (2002 - \$19,780) which is payable to a director of the Company.	\$ 22,693	\$ 29,580
Loan payable including accrued interest of \$149,856 (2002 - \$101,919), is due to a former related party and is repayable on demand after December 31, 2001. The debt bears interest at prime rate plus 3% per annum and is secured by the assets of MuskoX Holdings Ltd. As consideration for the agreement to postpone payment of the loan and to advance additional funds subsequent to October 31, 1998, MuskoX Holdings Ltd. agreed to grant the lender an option to acquire a 10% interest in the resource properties described in Note 4.	<u>649,846</u>	<u>601,909</u>
	<u>\$ 672,539</u>	<u>\$ 631,489</u>

6. FUTURE INCOME TAXES

a) A reconciliation of income taxes at statutory rates is as follows:

	2003	2002
Loss before income taxes	\$ (1,114,110)	\$ (963,070)
Expected income tax recovery	\$ (396,846)	\$ (381,568)
Reduction in tax rate	(201,181)	(586,341)
Non-deductible expenses	<u>100,301</u>	<u>4,185</u>
Total income tax recovery	<u>\$ (497,726)</u>	<u>\$ (963,724)</u>

The Company has non-capital losses of approximately \$3,800,000 which may be applied to reduce income taxes in future years. If not utilized, these losses expire through to 2010. Subject to certain restrictions, the Company also has resource expenditures of approximately \$5,300,000 available to reduce income taxes in future years. The tax benefit of the non-capital losses and resource expenditures have not been recognized in these consolidated financial statements except to the extent that they can be used to offset future income tax liabilities that existed on August 31, 2003.

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2003

6. FUTURE INCOME TAXES (cont'd...)

b) Significant components of the Company's future income tax assets and liabilities are as follows:

	2003	2002
Future income tax assets		
Capital assets	\$ 1,562	\$ 1,337
Share issue costs and consulting fees	75,789	110,119
Losses available for future periods	<u>1,444,138</u>	<u>1,226,746</u>
Gross future tax assets	1,521,489	1,338,202
Future income tax liabilities		
Resource properties	(1,517,420)	(1,681,866)
Resource property costs due to flow-through shares	<u>(2,799,913)</u>	<u>(2,821,405)</u>
Net future income tax liability	<u>\$ (2,795,844)</u>	<u>\$ (3,165,069)</u>

During the year ended August 31, 2003, the Company issued 2,489,999 units on a flow-through basis for gross proceeds of \$360,750. The flow-through agreement requires the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. Future income taxes of \$128,503 on the exploration expenditures to be renounced to shareholders were applied against capital stock.

As at August 31, 2003, \$328,173 of these proceeds from flow-through financing are restricted for future Canadian exploration expenditures.

During the year ended August 31, 2002, the Company issued 320,000 common shares on a flow-through basis for gross proceeds of \$80,000. The Company renounced certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. Future income taxes of \$30,096 on the exploration expenditures to be renounced to shareholders were applied against capital stock.

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2003

7. CAPITAL STOCK

	Number of Shares	Amount
Authorized		
Unlimited number of voting common shares without par value		
Unlimited number of preferred shares, issuable in series		
Issued		
Balance at August 31, 2001	27,954,584	\$ 14,101,614
Private placements	800,000	200,000
Future income taxes on exploration expenditures renounced to shareholders (Note 6)	-	(30,096)
Balance at August 31, 2002	28,754,584	14,271,518
Private placements	20,711,277	2,616,740
Finders' fee	317,730	35,362
Share issuance costs	-	(87,542)
Future income taxes on exploration expenditures renounced to shareholders (Note 6)	-	(128,503)
Balance at August 31, 2003	49,783,591	\$ 16,707,575

Stock options

The Company follows the policies of the TSX-V under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the policies, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

	Number of Shares	Weighted Average Exercise Price
Outstanding and exercisable at August 31, 2001	1,975,000	\$ 1.81
Repriced	-	(1.53)
Granted	830,000	0.28
Cancelled	(5,000)	0.28
Outstanding and exercisable at August 31, 2002	2,800,000	0.28
Granted	2,595,000	0.25
Cancelled	(450,000)	0.28
Outstanding and exercisable at August 31, 2003	4,945,000	\$ 0.26

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2003

7. CAPITAL STOCK (cont'd...)

Stock options (cont'd...)

As at August 31, 2003, the exercise price of options outstanding range from \$0.24 to \$0.28 (2002 - \$0.28) and the weighted average remaining contractual life is 3.61 years (2002 - 3.18 years). During the year ended August 31, 2002, the Company amended stock options enabling optionees to acquire 1,970,000 common shares at exercise prices ranging from \$0.20 to \$3.00 per share to an amended price of \$0.28 per share.

Warrants

The following warrants to acquire common shares were outstanding at August 31, 2003:

Number of Shares	Exercise Price	Expiry Date
10,698,000	\$ 0.15	July 28, 2004
4,608,230	0.20	August 12, 2004
2,777,778	0.25	August 18, 2004
3,144,999	0.20	August 28, 2004

Shareholders rights plan

During the year ended August 31, 2001, the Company adopted a shareholder rights plan whereby the Board of Directors authorized the issuance of (i) one right in respect to each common share outstanding on February 1, 2001 and (ii) one right in respect to each common share issued after February 1, 2001 and prior to the earlier of the Separation Time and the Expiration Time. The Separation Time is the tenth trading day after the earlier of (i) the first public announcement of beneficial ownership of 20% or more of the outstanding common shares of the Company and (ii) the commencement of a take-over bid. The Expiration Time is the earlier of (i) termination time pursuant to the plan and (ii) the close of the first annual meeting of shareholders of the Company following February 1, 2003 and every second annual meeting thereafter, subject to the renewal of the plan. Each right entitles the holder, after the Separation Time, to purchase a common share of the Company on an exercise price of one half of the market price of the common shares of the Company at the time of exercise. Subject to certain conditions, the rights may be redeemed by the Company at a redemption price of \$0.0001 per right.

8. STOCK-BASED COMPENSATION

The Company has elected to measure compensation costs using the fair value-based method for employee and non-employee stock options. Compensation costs have been determined based on the fair value of the options at the grant date using the Black-Scholes option-pricing model. Compensation expense of \$349,571 has been recorded as \$194,654 for directors' fees and \$154,917 for consulting fees in the statement of operations for the current year. The weighted average fair value of the stock options granted during the year ended August 31, 2003 was \$0.14 per share. Under the transitional provisions of Section 3870, comparative figures are not required.

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2003

8. STOCK-BASED COMPENSATION (cont'd...)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

Risk-free interest rate	2.94%
Expected life of options	2.00 years
Annualized volatility	124.19%
Dividend rate	0.00%

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.

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$49,485 (2002 - \$46,783) in interest expense to a trust associated with a former director of MuskoX Holdings Ltd. (Note 5).
- b) Paid or accrued \$104,000 (2002 - \$96,000) in management fees to directors.
- c) Included in accounts payable and accrued liabilities as at August 31, 2003 is \$12,655 (2002 - \$98,185) due to directors for management fees. These amounts are unsecured, are non-interest bearing and have no fixed terms of repayment.

10. COMMITMENT

The Company and ATF American Trade and Finance Corporation ("ATF") entered into a corporate finance, corporate communications and investor relations services agreement. As consideration, the Company is required to pay \$10,000 per month until April 15, 2004. ATF shall also receive a finance fee equal to 10% of the gross amounts of any and all financings initiated by ATF for the benefit of the Company. The term of the agreement is eighteen months and may be renewed by mutual agreement thereafter. Included in prepaid expenses and deposits as at August 31, 2003 is \$120,000 advanced to ATF.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2003	2002
Cash paid during the year for interest	\$ 36,801	\$ 7,458
Cash paid during the year for income tax	-	-

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11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

The significant non-cash transactions for the year ended August 31, 2003 included:

- a) the issuance of 228,000 units at a value of \$22,800, 89,730 units at a value of \$12,562 and 200,000 warrants at a value of \$Nil as finders' fees;
- b) the granting of options to acquire 1,100,000 common shares at a value of \$154,917 as consulting fees; and
- c) the granting of options to acquire 1,545,000 common shares at a value of \$194,654 as directors fees.

There were no significant non-cash transactions for the year ended August 31, 2002.

12. SEGMENTED INFORMATION

The Company currently conducts substantially all of its operations in Canada in one business segment being the exploration and development of mineral properties.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, exploration advances, bank overdraft, accounts payable and accrued liabilities and loans payable. 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. The fair value of these financial instruments approximates their carrying values.

14. SUBSEQUENT EVENTS

Subsequent to August 31, 2003, the Company:

- a) The Company entered into an option agreement to acquire a 100% interest in certain mineral claims in the Atlin District of British Columbia. As consideration, the Company is required to pay \$2,590,000 over a period of seven years and is required to expend a minimum of \$250,000 in exploration work per year for the next three years for a total of \$750,000.
- b) Issued 21,413,333 units at a price of \$0.15 per unit for gross proceeds of \$3,212,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.18 up to December 31, 2005.

The Company issued 50,000 units, 153,334 warrants and paid \$216,475 as a finders' fee in connection with the private placement.