



British Columbia Securities Commission

QUARTERLY AND YEAR END REPORT

BC FORM 51-901F
(previously Form 61)

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ISSUER DETAILS
NAME OF ISSUER: MUSKOX MINERALS CORP.
FOR QUARTER ENDED: 03 | 05 | 31
DATE OF REPORT: 03 | 07 | 30
ISSUER ADDRESS: 2219 - 4TH STREET SW
CITY/PROVINCE: CALGARY/AB
POSTAL CODE: T2S 1X1
ISSUER FAX NO.: 604-683-2699
ISSUER TELEPHONE NO.: 604-684-1658
CONTACT PERSON: FEISAL SOMJI
CONTACT'S POSITION: CHIEF FINANCIAL OFFICER
CONTACT TELEPHONE NO.: 604-684-1658
CONTACT EMAIL ADDRESS: fsomji@muskoxminerals.com
WEB SITE ADDRESS: www.muskoxminerals.com

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: "ROGER MORTON"
PRINT FULL NAME: ROGER MORTON
DATE SIGNED: 03 | 07 | 30
DIRECTOR'S SIGNATURE: "FEISAL SOMJI"
PRINT FULL NAME: FEISAL SOMJI
DATE SIGNED: 03 | 07 | 30

MUSKOX MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

MAY 31, 2003

MUSKOX MINERALS CORP.
CONSOLIDATED BALANCE SHEET
(Unaudited – Prepared by Management)
May 31, 2003

	May 31, 2003	August 31, 2002
ASSETS		
Current		
Cash and equivalents	\$ 99,749	\$ -
Receivables (Note 4)	31,223	58,296
Exploration advances	-	-
Prepaid expenses and deposits	<u>191,585</u>	<u>41,585</u>
	322,557	99,881
Capital assets	1,312	1,934
Mineral properties (Note 5)	<u>17,014,128</u>	<u>16,940,678</u>
	<u>\$ 17,337,997</u>	<u>\$ 17,042,493</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Bank Overdraft	\$ -	\$ 2,224
Accounts payable and accrued liabilities	1,165,399	897,184
Loan Payable	30,128	29,580
Current portion of long term debt	<u>635,885</u>	<u>601,909</u>
	1,831,412	1,530,897
Future income taxes	<u>3,165,069</u>	<u>3,165,069</u>
	<u>4,996,481</u>	<u>4,695,966</u>
Shareholders' equity		
Capital stock	14,271,518	14,271,518
Subscriptions Received in Advance	250,000	
Deficit	<u>(2,180,002)</u>	<u>(1,924,991)</u>
	<u>12,341,516</u>	<u>12,346,527</u>
	<u>\$ 17,337,997</u>	<u>\$ 17,042,493</u>

Basis of presentation (Note 1)

Commitment (Note 13)

MUSKOX MINERALS CORP.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)
May 31, 2003

	Three Month Period Ended May 31, 2003	Three Month Period Ended May 31, 2002	Nine Month Period Ended May 31, 2003	Nine Month Period Ended May 31, 2002
EXPENSES				
Administrative	\$ 6,000	\$ 23,040	\$ 24,000	\$ 122,828
Amortization	207	208	622	622
Computer and website	-	93	1,041	1,316
Consulting fees	-	1,200	40,158	29,000
Interest on long term debt	11,325	11,933	33,975	36,632
Management fees	12,000	24,000	60,000	72,000
Office and miscellaneous	5,399	37,172	26,208	92,185
Professional fees	6,101	21,253	21,306	99,112
Rent	9,000	18,000	30,000	46,000
Shareholder communication	543	13,588	543	21,005
Transfer agent and regulatory fees	3,800	1,994	12,984	21,620
Travel and related costs	1,115	3,599	1,174	98,807
	<u>55,490</u>	<u>156,080</u>	<u>3000,001</u>	<u>641,127</u>
Loss before other item	(55,490)	(156,080)	(255,011)	(641,127)
OTHER ITEM				
Interest income	-	685	-	15,726
Loss before income taxes	(55,490)	(155,395)	(255,011)	(625,401)
Future income tax recovery	-	69,408	-	279,126
Loss for the period	(55,490)	(87,987)	(255,011)	(346,275)
Deficit, beginning of period	<u>(2,124,512)</u>	<u>(2,185,933)</u>	<u>(1,924,991)</u>	<u>(1,925,645)</u>
Deficit, end of period	\$ (2,180,002)	\$ (2,271,920)	(2,180,002)	\$ (2,271,920)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	28,754,584	27,954,584	28,754,584	27,647,391

MUSKOX MINERALS CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited – Prepared by Management)
MAY 31, 2003

	Three Month Period Ended May 31, 2003	Three Month Period Ended May 31, 2002	Nine Month Period Ended May 31, 2003	Nine Month Period Ended May 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (55,490)	\$ (85,987)	\$ (55,490)	\$ (346,275)
Items not affecting cash:				
Amortization	207	208	622	622
Accrued interest on long term debt	11,325	10,020	33,999	34,719
Future income tax recovery	-	(69,408)	-	(279,126)
Changes in non-cash working capital items:				
(Increase) decrease in receivables	7,362	(60,403)	27,073	828,347
Decrease in share subscriptions receivable	-	-	-	-
Increase (decrease) in exploration advances	-	-	-	72,105
(Increase) decrease in prepaid expenses and deposits	(150,000)	-	(150,000)	3,250
Increase in accounts payable and accrued liabilities	37,575	220,466	268,193	300,577
Increase in due to related party		7,500	-	7,500
Net cash provided by (used in) operating activities	<u>(149,021)</u>	<u>(143,202)</u>	<u>(75,124)</u>	<u>621,719</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of accrued interest on long-term debt	-	-	-	(7,458)
Loan Payable			548	
Share Subscriptions Received in Advance	250,000	-	250,000	-
Finder's fees and share issuance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>	<u>175,424</u>	<u>(7,458)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of capital assets	-	-	-	-
Deferred exploration costs, net of option payments received	<u>(1,197)</u>	<u>(240,579)</u>	<u>(73,451)</u>	<u>1,131,110</u>
Net cash used in investing activities	<u>(1,197)</u>	<u>(240,579)</u>	<u>(73,451)</u>	<u>(1,131,110)</u>
Increase in cash and equivalents during the period	99,782	(97,377)	101,973	(516,849)
Cash and equivalents, beginning of period	<u>(33)</u>	<u>97,519</u>	<u>(2,224)</u>	<u>516,991</u>
Cash and equivalents, end of period	\$ 99,749	\$ 142	\$ 99,749	\$ 142
Cash and equivalents is comprised of the following:				
Cash and equivalents	\$ 99,749	\$ 142	\$ 99,749	\$ 142
Restricted cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ 99,749	\$ 142	\$ 99,749	\$ 142

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2003

1. BASIS OF PRESENTATION

The financial statements contained herein include the accounts of MuskoX Minerals Corp (the "Company") and its wholly owned subsidiaries, MuskoX Holdings Ltd. and 913169 Alberta Ltd.

The interim period financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles have been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation.

2. 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. As the Company has a serious working capital deficiency, its 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.

As of the Year Ended August 31, 2002

	2002	2001
Working capital (deficiency)	\$ (1,530,897)	\$ (425,341)
Deficit	(2,034,450)	(2,089,844)

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.

Cash and equivalents

Cash and equivalents include highly liquid investments with original maturities of three months or less.

Capital assets and amortization

Capital assets, being computer equipment, are amortized over their useful lives using the declining balance method at 30% per annum.

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.

SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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. Under the asset and liability method, 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.

Stock based compensation

The Company grants stock options in accordance with the policies of the TSX Venture Exchange (“TSX-V”), as described in Note 13. No compensation expense is recognized when share options are granted. Consideration paid for the shares on exercise of the share options is credited to capital stock.

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. BUSINESS COMBINATION

Effective March 31, 2001, the Company's subsidiary, Muskox Holdings Ltd., acquired all of the issued and outstanding share capital of 913169 Alberta Ltd. for a purchase price of \$3,445,002 (Note 5). As consideration, the Company issued 1,994,790 common shares at a price of \$1.727 per share.

The acquisition of 913169 Alberta Ltd. has been accounted for using the purchase method and accordingly, these consolidated financial statements include the results of operations of 913169 Alberta Ltd. from the date of acquisition.

The total purchase price of \$3,445,002 was allocated to mineral properties.

MUSKOX MINERALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
MAY 31, 2003

4. RECEIVABLES

Receivables represent GST refunds.

5. MINERAL PROPERTIES

	May 31, 2003	August 31 2002
Mineral property costs	\$ 6,087,554	\$ 6,087,554
Deferred exploration costs	<u>11,361,106</u>	<u>11,287,656</u>
	17,448,660	17,375,210
Less: Option payments received	(250,000)	(250,000)
Less: Written-off (Note 6)	<u>(184,532)</u>	<u>(184,532)</u>
Total mineral property costs and deferred exploration costs	\$ 17,014,428	\$ 16,940,678

Deferred exploration costs incurred are as follows:

	2003	2002
Balance, beginning of year	\$ <u>11,287,656</u>	\$ <u>9,501,734</u>
Aircraft charters:		
Fixed wing	-	140,679
Rotary	-	249,796
Other	-	-
Camp maintenance	26,250	35,969
Camp support	11,250	305,563
Drilling: Drilling	-	98,157
Consulting	-	94,616
Equipment rental	383	61,461
Expediting and freight	-	82,095
Fuel	-	386
Geological and Geo-chemical	2,100	108,602
Geophysics: Airborne	797	140,329
Data Processing and interpretation, modelling	22,088	281,645
Project preparation and development	-	43,252
Report writing	-	75,174
Telecommunications	10,183	13,090
Tenure, licences and permits	400	30,947
Travel and accommodation	<u>-</u>	<u>24,161</u>
	<u>73,451</u>	<u>1,785,922</u>
Balance, end of year	\$ 11,361,107	\$ 11,287,656

6. 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.

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 7). 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 \$Nil (2001 - \$195,500) and is required to issue 127,948 warrants as a finder's fee to Areté Capital Corp. (Note 11). 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. (Note 3).

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, totaling \$184,532, were written-off during the year ended August 31, 2002.

7. RELATED PARTY TRANSACTIONS

During the three month period ended May 31, 2003, the Company entered into the following transactions with related parties:

- a) Paid or accrued \$12,000 in management fees to directors.
- b) Accrued \$11,325 in interest to a trust associated with a former director of MuskoX Holdings Ltd.

MUSKOX MINERALS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)
MAY 31, 2003

8. LOANS PAYABLE

Loans payable are non-interest bearing, are unsecured and have no fixed terms of repayment. Included in loans payable at May 31, 2003, is \$15,780 which is payable to a director of the Company.

9. CURRENT PORTION OF LONG-TERM DEBT

Current portion of long term debt includes accrued interest of \$135,895 is due to a former related party and was 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.

10. FUTURE INCOME TAXES

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

As of the Year Ended August 31, 2002

	2002	2001
Loss before income taxes	\$ (963,070)	\$ (1,256,987)
Income tax recovery at statutory rates	\$ (381,568)	\$ (560,868)
Reduction in tax rate	(586,341)	(25,189)
Non-deductible expenses	<u>4,185</u>	<u>244</u>
Total income tax recovery	<u>\$ (963,724)</u>	<u>\$ (585,813)</u>

The Company has non-capital losses of approximately \$3,200,000 which may be applied to reduce income taxes in future years. If not utilized, these losses expire through 2009. Subject to certain restrictions, the Company also has resource expenditures of approximately \$4,900,000 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, 2002.

MUSKOX MINERALS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)
MAY 31, 2003

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

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

As of the Year Ended August 31, 2002		
	2002	2001
Future income tax assets		
Capital assets	\$ 1,337	\$ 1,216
Share issue costs and consulting fees	110,119	184,905
Losses available for future periods	<u>1,226,746</u>	<u>1,058,662</u>
Gross future tax assets	1,338,202	1,244,783
Future income tax liabilities		
Resource properties	(1,681,866)	(1,950,451)
Resource property costs due to flow-through shares	<u>(2,821,405)</u>	<u>(3,393,029)</u>
Net future income tax liability	<u>\$ (3,165,069)</u>	<u>\$ (4,098,697)</u>

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 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 \$30,096 on the exploration expenditures to be renounced to shareholders were applied against capital stock.

During the year ended August 31, 2001, the Company issued (i) 243,826 common shares on a flow-through basis for gross proceeds of \$731,478 and (ii) 1,898,900 common shares pursuant to the exercise of flow-through warrants for gross proceeds of \$3,797,800. The flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. The Company incurred renounced expenditures of \$4,529,278 by August 31, 2002. Future income taxes of \$2,020,965 on the exploration expenditures renounced to shareholders were applied against capital stock.

MUSKOX MINERALS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)
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12. 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, 2000	23,383,268	\$ 9,281,615
Exercise of options	305,000	183,000
Exercise of warrants	2,027,700	4,047,000
Future income taxes on exploration expenditures renounced to shareholders	-	(1,694,579)
Acquisition of resource properties	1,994,790	3,445,002
Future income taxes on resource properties acquired	-	(1,537,160)
Private placements	243,826	731,478
Issuance costs, net of future income tax recovery of \$22,847	-	(28,356)
Future income taxes on exploration expenditures renounced to shareholders	-	(326,386)
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	-	(30,096)
Balance at February 28, 2003	28,754,584	\$ 14,271,518

Included in issued capital stock at February 28, 2003 are 2,557,137 common shares of the Company currently held in escrow as required by the regulatory authorities. Of the shares in escrow, 1,823,805 common shares are being released pro-rata to the shareholders within six months. Subject to the consent of the Alberta Securities Commission, the other 733,332 common shares in escrow are being released pro-rata to shareholders within one year.

As per the Company news release dated April 1, 2003, and as described in Schedule B and C in the Management discussion above, the Company as at the end of this period had received \$250,000 to date of the total private placement in progress. The funds received have been shown above as 'Subscriptions Received in Advance'.

MUSKOX MINERALS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)
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12. CAPITAL STOCK (cont'd...)

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, 2000	1,280,000	\$ 0.59
Granted	1,000,000	3.00
Exercised	<u>(305,000)</u>	0.60
Outstanding and exercisable at August 31, 2001	1,975,000	1.81
Repriced	-	(1.53)
Granted	830,000	0.28
Cancelled	<u>(5,000)</u>	0.28
Outstanding and exercisable at May 31, 2003	<u>2,800,000</u>	<u>\$ 0.28</u>

As at November 30, 2002, the exercise price of options outstanding is \$0.28 (2001 – range from \$0.60 to \$3.00) and the weighted average remaining contractual life is 3.18 years (2001 – 3.68 years). During the period ended November 30, 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.

On February 26, 2003 the Company announced to re-distribute or issue 650,000 additional options at the same price of \$0.28. Subsequent to this period the Company announced on July 24, 2003 that it has issued 650,000 options at \$0.28.

Warrants

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

Number of Shares	Exercise Price	Expiry Date
400,000	0.45	August 2, 2003

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

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.

13. COMMITMENT

Subject to regulatory approval, the Company is required to issue 127,948 warrants to Areté Capital Corp. in connection with the agreement with Areté (Note 5). Each warrant is exercisable into one common share of the Company at an exercise price of \$1.85 per share for a two year period from the date of issuance.

On May 7, 2003 the Company announced it had contracted the services of ATF American Trade and Finance Corporation (ATF) of Vancouver, British Columbia to act on its behalf in providing services in the areas of corporate finance, corporate communications and investor relations. In consideration of the services to be performed by ATF, MSK shall pay ATF the sum of Ten Thousand (\$10,000Cdn) Dollars plus GST per month for its services, during the term of the Agreement. ATF shall also receive a finance fee equal to 10% of the gross amounts of any and all financings initiated by the Contractor for the benefit of MSK, or in which any person, firm, corporation or partnership introduced to MSK, directly or indirectly by ATF, its associates or affiliates, participates. The term of the agreement is eighteen (18) months and may be renewed by mutual agreement thereafter. After six (6) months from the commencement of the Agreement either party may terminate this Agreement without cause upon the terminating party giving thirty (30) days written notice to the other party.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, receivables, exploration advances, bank overdraft, accounts payable and accrued liabilities, loans payable and current portion of long-term debt. 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 approximate their carrying values.