



British Columbia Securities Commission

QUARTERLY AND YEAR END REPORT
BC FORM 51-901F

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ISSUER DETAILS
NAME OF ISSUER: MUSKOX MINERALS CORP.
FOR QUARTER ENDED: 03 | 11 | 30
DATE OF REPORT: 04 | 01 | 31
ISSUER ADDRESS: P.O. BOX 23113, RPO CONNAUGHT
CITY/PROVINCE: CALGARY AB
POSTAL CODE: T2B 3S1
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 D. MORTON
DATE SIGNED: 04 | 02 | 02
DIRETOR'S SIGNATURE: "FEISAL SOMJI"
PRINT FULL NAME: FEISAL A. SOMJI
DATE SIGNED: 04 | 02 | 02

**MUSKOX MINERALS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited – Prepared by Management)**

**NOVEMBER 30, 2003**

**MUSKOX MINERALS CORP.**  
**CONSOLIDATED BALANCE SHEET**  
(Unaudited – Prepared by Management)  
**NOVEMBER 30, 2003**

	November 30, 2003	August 31, 2003
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 64,092	\$ 567,482
Restricted cash (Note 13)	740,000	328,173
Receivables	44,435	32,140
Exploration advances	64,304	32,500
Prepaid expenses and deposits (Note 10)	<u>179,849</u>	<u>163,849</u>
	1,092,680	1,124,144
<b>Capital assets</b>	8,661	2,555
<b>Mineral properties</b> (Note 4)	<u>17,466,400</u>	<u>16,963,653</u>
	<u>\$ 18,567,741</u>	<u>\$ 18,090,352</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 76,878	\$ 106,196
Loan payable (Note 5)	<u>663,808</u>	<u>672,539</u>
	740,686	778,735
<b>Future income taxes</b> (Note 6)	<u>2,795,844</u>	<u>2,795,844</u>
	<u>3,536,530</u>	<u>3,574,579</u>
<b>Shareholders' equity</b>		
Capital stock (Note 7)	16,707,575	16,707,575
Share subscription received in advance (Note 13)	740,000	
Contributed surplus (Note 8)	349,571	349,571
Deficit	<u>(2,765,935)</u>	<u>(2,541,373)</u>
	<u>15,031,211</u>	<u>14,515,373</u>
	<u>\$ 18,567,741</u>	<u>\$ 18,090,352</u>

**Basis of presentation** (Note 1)

**Commitments** (Note 10)

**On behalf of the Board:**

" ROGER MORTON "

Director

" FEISAL SOMJI "

Director

**MUSKOX MINERALS CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
(Unaudited – Prepared by Management)  
**THREE MONTH PERIOD ENDED NOVEMBER 30**

	2003	2002
<b>EXPENSES</b>		
Administrative	\$ 8,714	\$ 12,000
Amortization	207	207
Capital tax	8,062	
Computer and website	5,500	901
Consulting fees	15,000	37,103
Finder fees	13,630	
Interest on long term debt	13,962	11,325
Management fees	28,000	24,000
Office and miscellaneous	11,104	5,008
Professional fees	18,772	235
Rent	12,000	12,000
Shareholder communications	29,319	4,465
Transfer agent and regulatory fees	13,396	2,156
Travel and related costs	<u>46,896</u>	<u>59</u>
	<u>224,562</u>	<u>109,459</u>
<b>Loss before other item</b>	<u>(224,562)</u>	<u>(109,459)</u>
<b>OTHER ITEM</b>		
Interest income	<u>-</u>	<u>-1</u>
<b>Loss before income taxes</b>	(224,562)	(109,459)
<b>Future income tax recovery</b>	<u>-</u>	<u>-</u>
<b>Loss for the period</b>	(224,562)	(109,459)
<b>Deficit, beginning of period</b>	<u>(2,541,373)</u>	<u>(1,924,991)</u>
<b>Deficit, end of period</b>	<u>\$ (2,765,935)</u>	<u>\$ (2,034,450)</u>
<b>Loss per share – basic and diluted</b>	<u>\$ 0.01</u>	<u>\$ 0.01</u>
<b>Weighted average number of shares outstanding</b>	<u>49,783,591</u>	<u>28,691,022</u>

**MUSKOX MINERALS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
**THREE MONTH PERIOD ENDED NOVEMBER 30**

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (224,562)	\$ (109,459)
Item not affecting cash:		
Amortization	207	207
Accrued interest on long term debt	13,962	11,325
Future income tax recovery	-	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(12,295)	(10,960)
Decrease in share subscriptions receivable	-	-
Decrease in exploration advances	(31,804)	-
Increase in prepaid expenses and deposits	(16,000)	-
Increase in accounts payable and accrued liabilities	<u>(52,011)</u>	<u>168,425</u>
Net cash used in operating activities	<u>(322,503)</u>	<u>59,538</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan Payable	-	14,970
Share subscription received in advance	740,000	200,000
Finder's fee and share issuance costs	<u>-</u>	<u>-</u>
	740,000	214,970
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deferred exploration costs	(352,747)	<u>(72,254)</u>
Property acquisition	(150,000)	-
Computers	<u>(6,313)</u>	-
Net cash used in investing activities	(509,060)	-
<b>Change in cash and equivalents during the period</b>	(91,563)	2,254
<b>Cash and equivalents, beginning of period</b>	<u>895,655</u>	<u>(2,254)</u>
<b>Cash and equivalents, end of period</b>	<u>\$ 804,092</u>	<u>\$ 30</u>

**MUSKOX MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
NOVEMBER 30, 2003

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**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. 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.

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	November 2003	August 2003
Working capital (deficiency)	\$ 351,994	\$ 345,409
Deficit	(2,765,935)	(2,541,373)

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### **3. 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.

#### **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.

**MUSKOX MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
NOVEMBER 30, 2003

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**3. 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 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

**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.

The Company grants stock options in accordance with the policies of the TSX-V.

**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

#### **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

##### **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. 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**

(Unaudited – Prepared by Management)

NOVEMBER 30, 2003

**4. RESOURCE PROPERTIES (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.

**ATLIN PROPERTY**

Under the Option Agreement, MuskoX may earn a 100% interest in the Atlin Property by making cash payments totaling \$2,590,000 over the next 7 years, and expending a minimum of \$250,000 in exploration work per year for the first three years, for a total of \$750,000. MuskoX has paid the initial \$140,000 upon the signing of the Option Agreement. The next payment of \$100,000 is due on April 1, 2004. MuskoX can choose to accelerate the cash payments to exercise the Option early, without penalty. Once the Option is exercised, the Property will be subject to a 1.5% NSR Royalty

Mineral property costs and deferred exploration costs are as follows:

	November 2003	November 2002
Mineral property costs	\$ 5,837,554	\$ 6,087,554
Less: option payments received, net of finder's fees	-	(250,000)
Acquisition of property	150,000	-
Less: Written-off	-	(184,532)
	<u>5,987,554</u>	<u>5,878,022</u>
Deferred exploration costs	<u>11,148,847</u>	<u>11,359,910</u>
<b>Total</b>	<b>\$ 17,466,400</b>	<b>\$ 17,012,932</b>

Deferred exploration costs incurred are as follows:

	2003	2002
Balance, beginning of year	<u>\$ 11,126,099</u>	<u>\$ 9,501,734</u>
Aircraft charters:		
Fixed wing	-	-
Rotary	-	-
Anglo American (Canada) Ltd.	327,750	-
Camp maintenance	18,503	-
Camp support	-	26,250
Drilling: Drilling	-	11,250
Consulting	-	-
Equipment rental	-	-
Expediting and freight	-	383
Fuel	-	-
Geological and geochemical	-	2,100
Geophysics: Airborne	-	-
Data Processing and interpretation, modelling	3,500	22,088
Project preparation and development	-	-
Report writing	2,275	-
Telecommunications	-	10,183
Tenure, licences and permits	-	-
Travel and accommodation	719	-
	<u>352,748</u>	<u>72,254</u>
Balance, end of year	<b>\$ 11,478,847</b>	<b>\$ 11,103,124</b>

**MUSKOX MINERALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)  
NOVEMBER 30, 2003

**5. LOANS PAYABLE**

	2003	2002
Loan payable including accrued interest of \$163,818, 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.	663,808	601,909
	\$ 663,808	\$ 631,489

**6. FUTURE INCOME TAXES**

- a) A reconciliation of income taxes at statutory rates is as follows:  
(As of the year ended August 31, 2003)

	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	\$ (497,726)	\$ (963,724)

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**  
(Unaudited – Prepared by Management)  
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**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.

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**  
(Unaudited – Prepared by Management)  
NOVEMBER 30, 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  
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**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:**

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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

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**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. During the year ended, August 31, 2003, compensation expense of \$349,571 have 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.**  
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**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) Accrued \$ \$13,962 in interest expense to a trust associated with a former director of Muskox Holdings Ltd. (Note 5).
- b) Paid or accrued \$28,000 in management fees to directors.

**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 November 30, 2003 is \$90,000 advanced to ATF.

**11. 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.

**12. 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

**MUSKOX MINERALS CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**13. SUBSEQUENT EVENTS**

Subsequent to November 30, 2003:

The Company 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.