

AMARC RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2003

(Expressed in Canadian Dollars)

(Unaudited)

AMARC RESOURCES LTD.

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

| | June 30, 2003 | March 31, 2003 |
|--|----------------------|-----------------------|
| | (unaudited) | (audited) |
| ASSETS | | |
| Current assets | | |
| Cash and equivalents | \$ 157,995 | \$ 9,849 |
| Marketable securities (note 3(b)) | 591,850 | 605,050 |
| Amounts receivable and prepaids | 90,323 | 256,982 |
| | 840,168 | 871,881 |
| Equipment (note 4) | 72,736 | 77,225 |
| Reclamation deposit (note 9) | – | 70,000 |
| | \$ 912,904 | \$ 1,019,106 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 25,892 | \$ 90,451 |
| Balances payable to related parties (note 8) | 194,281 | 165,550 |
| | 220,173 | 256,001 |
| Shareholders' equity | | |
| Share capital (note 7(b)) | 8,635,675 | 8,635,675 |
| Contributed surplus | 5,805 | 5,805 |
| Deficit | (7,948,749) | (7,878,375) |
| | 692,731 | 763,105 |
| Nature of operations (note 1) | \$ 912,904 | \$ 1,019,106 |

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

Approved by the Board of Directors

/s/ Ronald W. Thiessen

Ronald W. Thiessen
Director

/s/ Jeffrey R. Mason

Jeffrey R. Mason
Director

AMARC RESOURCES LTD.

Consolidated Statements of Operations

(Expressed in Canadian Dollars)

(Unaudited)

| | Three months ended June 30 | |
|---|-----------------------------------|-----------------------|
| | 2003 | 2002 |
| Expenses | | |
| Conference and travel | \$ - | \$ 3,016 |
| Depreciation | 4,489 | 5,420 |
| Exploration (note 6) | 6,503 | 784,249 |
| Legal, audit, and accounting | 9,645 | 56,120 |
| Management and consulting | 12,094 | 25,189 |
| Office and administration | 19,504 | 115,689 |
| Salaries and benefits | 22,081 | 124,526 |
| Shareholder communication | 851 | 18,659 |
| Trust and filing | (572) | 926 |
| | 74,595 | 1,133,794 |
| Other items | | |
| Foreign exchange loss | (4,660) | (28,173) |
| Gain on sale of marketable securities | 1,174 | - |
| Interest | 7,707 | 2,193 |
| | 4,221 | (25,980) |
| Loss for the period | \$ (70,374) | \$ (1,159,774) |
| Basic and diluted loss per share | \$ (0.00) | \$ (0.08) |
| Weighted average number of common shares outstanding | 15,468,890 | 14,816,291 |

Consolidated Statements of Deficit

(Expressed in Canadian Dollars)

| | Three months ended June 30 | |
|-------------------------------------|-----------------------------------|-----------------------|
| | 2003 | 2002 |
| Deficit, beginning of period | \$ (7,878,375) | \$ (6,023,654) |
| Loss for the period | (70,374) | (1,159,774) |
| Deficit, end of period | \$ (7,948,749) | \$ (7,183,428) |

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

AMARC RESOURCES LTD.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

| Cash provided by (applied to): | Three months ended June 30 | |
|---|-----------------------------------|-------------------|
| | 2003 | 2002 |
| Operating activities | | |
| Loss for the period | \$ (70,374) | \$ (1,159,774) |
| Items not involving cash | | |
| Depreciation | 4,489 | 5,420 |
| Gain on sale of marketable securities | (1,174) | – |
| Changes in non-cash working capital items | | |
| Accounts payable and accrued liabilities | (128,296) | 32,410 |
| Amounts receivable and prepaids | 181,760 | (52,319) |
| Balances receivable from and payable to related parties | 77,367 | 842,653 |
| | <u>63,772</u> | <u>(331,610)</u> |
| Investing activities | | |
| Proceeds from sale of marketable securities | 14,374 | – |
| Purchase of equipment | – | (76,984) |
| Reclamation deposit | 70,000 | – |
| | <u>84,374</u> | <u>(76,984)</u> |
| Financing activities | | |
| Issuance of share capital | – | 35,000 |
| | <u>–</u> | <u>35,000</u> |
| Increase (decrease) in cash and equivalents | 148,146 | (373,594) |
| Cash and equivalents, beginning of period | 9,849 | 1,028,274 |
| Cash and equivalents, end of period | \$ 157,995 | \$ 654,680 |

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

AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements
For the period ended June 30, 2003
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Amarc Resources Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia, and its principal business activity is the exploration of mineral properties. Its principal mineral property interests are located in Durango State, Mexico.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles assuming a going concern. The Company has incurred losses since inception and its ability to continue as a going concern depends upon its capacity to develop profitable operations and to continue to raise adequate financing. These financial statements do not reflect adjustments, which could be material, to the carrying values of assets and liabilities which may be required should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Compania Minera Amarc, S.A. de C.V. and Amarc Exploraciones Mineras, S.A. de C.V., which are incorporated in Mexico. Also included are the accounts of the Precious Exploration Limited Partnership, which is subject to the Company's control and primary beneficial ownership (note 5).

3. SIGNIFICANT ACCOUNTING POLICIES

(a) *Cash and equivalents*

Cash and equivalents consist of cash and highly liquid investments, having maturity dates of three months or less from the date of purchase, which are readily convertible to known amounts of cash.

(b) *Marketable securities*

Marketable securities are recorded at the lower of cost and quoted market value. Marketable securities held at June 30, 2003, consist of 5,918,500 shares of Expatriate Resources Ltd.

(c) *Equipment*

Equipment is recorded at cost and is depreciated over its estimated useful life using the declining balance method at various rates ranging from 20% to 30% per annum.

(d) *Reclamation deposits*

Reclamation deposits are recorded at cost (note 9).

(e) *Mineral property interests*

The acquisition costs of mineral properties are deferred until the properties are placed into production, sold or abandoned. These deferred costs are amortized on a unit-of-production basis over the estimated useful life of the related properties following the commencement of production or

AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period ended June 30, 2003

(Expressed in Canadian Dollars)

written off if the properties are allowed to lapse or are abandoned. If the deferred mineral property costs are determined not to be recoverable over the estimated useful life or are less than estimated fair market value, the unrecoverable portion is charged to earnings in that period.

Mineral property acquisition costs include the cash consideration and the fair market value of common shares, based on the trading price of the shares, on the date of issue or as otherwise provided under the agreement terms for the mineral property interest. Costs for properties for which the Company does not possess unrestricted ownership and exploration rights, such as option agreements, are expensed in the period incurred or until a feasibility study has determined that the property is capable of commercial production.

Exploration costs and option payments are expensed in the period incurred.

Administrative expenditures are expensed in the period incurred.

(f) *Share capital*

Common shares issued for mineral property interests are recorded at the fair market value based upon the trading price of the shares on the TSX Venture Exchange on the date of issue or as otherwise provided under the agreement terms to issue the shares.

The proceeds from common shares issued pursuant to flow-through share financing agreements are credited to share capital as the tax benefits of the exploration expenditures incurred pursuant to these agreements are transferred to the purchaser of the flow-through shares.

Share issue costs are deducted from share capital.

(g) *Stock-based compensation (see also note 3(h))*

The Company has a stock option plan which is described in note 7(c). The Company accounts for all non-cash stock-based payments to non-employees, and employee awards that are direct awards of stock, that call for settlement in cash or other assets, or that are stock appreciation rights which call for settlement by the issuance of equity instruments, granted on or after April 1, 2002, using the fair value based method.

Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of non-cash stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of non-cash stock-based payments to service providers that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. For awards that vest at the end of a vesting period, compensation cost is recognized on a straight-line basis; for awards that vest on a graded basis, compensation cost is recognized on a pro-rata basis over the vesting period.

No compensation cost is required to be recorded for all other non-cash stock-based employee compensation awards. Consideration paid by employees upon the exercise of stock options is credited to share capital. If applicable, the Company presents in the notes to the financial statements the pro forma net income (loss) and earnings (loss) per share had the fair value method been used to account for employee non-cash stock-based compensation awards.

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Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

Under the fair value based method, compensation cost attributable to awards to employees that are direct awards of stock, or stock appreciation rights which call for settlement by the issuance of equity instruments, is measured at fair value at the grant date and recognized over the vesting period. Compensation cost attributable to awards to employees which call for settlement in cash or other assets is measured at fair value at the grant date and recognized over the vesting period.

(h) *Change in Accounting Policy – Stock-Based Compensation*

Effective April 1, 2002, the Company adopted the new Recommendations of the Canadian Institute of Chartered Accountants relating to the accounting for stock-based compensation and other stock-based payments. Under the new standard, payments to non-employees, and to employee awards that are direct awards of stock, that call for settlement in cash or other assets, or that are stock appreciation rights which call for settlement by the issuance of equity instruments, are accounted for using the fair value method and is included in operations, with an offset to contributed surplus. No compensation expense is recorded for all other non-cash stock-based employee compensation awards; however pro forma disclosure of net income and earnings per share, had the Company used the fair value method, is presented if applicable.

Prior to the adoption of the new standard, no compensation expense was recorded for the Company's stock-based incentive plans when the options were granted. Any consideration paid by those exercising stock options was credited to share capital upon receipt.

The new Recommendations were applied prospectively. The adoption of this new standard has resulted in no changes to amounts previously reported.

(i) *Foreign currency translation*

All of the Company's foreign subsidiaries are considered integrated.

Monetary assets and liabilities of the Company's integrated foreign operations are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical estimated exchange rates unless such items are carried at market, in which case they are translated at the exchange rates in effect on the balance sheet date. Revenues and expenses, except depreciation, are translated at average exchange rates for the period. Depreciation is translated at the same exchange rates as the assets to which it relates.

Foreign exchange gains or losses are expensed.

(j) *Income taxes*

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, generally using the enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Future income tax assets also result from unused loss carryforwards and other deductions. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

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Notes to the Consolidated Financial Statements

For the period ended June 30, 2003

(Expressed in Canadian Dollars)

The Company's accounting policy for future income taxes currently has no effect on the financial statements of any of the periods presented.

(k) *Loss per share*

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period.

Diluted loss per share has not been presented as the effect of outstanding options and warrants would be anti-dilutive.

(l) *Fair value of financial instruments*

The carrying values of cash and equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair value due to their short term nature. The Company is not exposed to significant credit risk or interest rate risk.

(m) *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 the disclosure of contingent assets and liabilities as at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of potential impairments of asset values, and rates for depreciation of equipment, as well as the assumptions used in determining the fair value of non-cash stock-based compensation. Actual results could differ from those estimates.

(n) *Comparative figures*

Certain of the prior periods' comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.

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Notes to the Consolidated Financial Statements

For the period ended June 30, 2003

(Expressed in Canadian Dollars)

4. EQUIPMENT

| | Cost | Accumulated Depreciation | Net Book Value |
|-----------------------|-------------------|-----------------------------|-------------------|
| June 30, 2003 | | | |
| Automotive | \$ 24,514 | \$ 10,787 | \$ 13,727 |
| Site equipment | 77,551 | 18,542 | 59,009 |
| | \$ 102,065 | \$ 29,329 | \$ 72,736 |
| March 31, 2003 | | | |
| Automotive | \$ 24,514 | \$ 9,576 | \$ 14,938 |
| Site equipment | 77,551 | 15,264 | 62,287 |
| | \$ 102,065 | \$ 24,840 | \$ 77,225 |

5. MINERAL PROPERTY INTERESTS

(a) *Durango State, Mexico*
Inde Property

The Inde Property ("the Property") comprises approximately 270 hectares and consists of five mineral concessions, of which three are owned outright by the Company and two are held under option. The Company was assigned its interest in the Property in November 2001 from Hunter Dickinson Group Inc., ("HDGI"), a private company related by certain directors in common, in consideration for US\$475,000, (paid during the 2002 fiscal year). The Company also assumed the position of HDGI in the option agreement to acquire two of the claims from the underlying vendor which, as amended during the current fiscal year, will require future semi-annual payments of US\$125,000 commencing in December, 2003 until a required balloon payment of US\$3.0 million in June 2006. These two claims carry a Net Smelter Returns royalty of 4%, capped at US\$2.0 million.

During the 2003 fiscal year, the Company paid finder's fees in connection with the Property of \$43,393 and 265,680 common shares, and also paid the underlying property vendor US\$25,000 (2002 – US\$125,000) in connection with the option agreement assigned from HDGI. No further finder's fees are owed on this property.

(b) *Manitoba, Canada*
Fox River Property

By an agreement dated November 15, 2001 (the "November 15, 2001 agreement"), the Company acquired the right to participate in the Fox River Project by investing in and becoming a general partner of the Precious Exploration Limited Partnership ("PELP"), which held an option to acquire property interests comprising four Special Exploration Permits located near Thompson, Manitoba.

Specifically, the property comprised two permits covering 285,588 hectares owned 100% by Falconbridge Limited ("Falconbridge") and two permits covering 28,392 hectares which are subject to an option agreement between Falconbridge and W. Bruce Dunlop Limited NPL. The Fox River Project option rights held by PELP entitled it to earn a 60% interest in the Project by expending an aggregate of \$12.5 million prior to December 31, 2005, subject to Falconbridge's right to back-in to a 60% interest by completing and financing a bankable feasibility study and by arranging financing and completion guarantees for mine development. The expenditures were to be made at the rate of \$2.5

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(Expressed in Canadian Dollars)

million per year, with the completion date of the first year's amount extended to September 30, 2002, which the Company met.

Pursuant to the November 15, 2001 agreement, the Company agreed that it would fund PELP with \$2.5 million in capital such that PELP could discharge accounts owing to Hunter Dickinson Group Inc. ("HDGI"), a private company controlled by certain common directors, which aggregated to this amount. HDGI had initially funded part of these expenditures on behalf of PELP subsequent to HDGI's initial acquisition of the Fox River Option on March 31, 2001. By an amending agreement dated November 27, 2001, Expatriate Resources Ltd. ("Expatriate"), an unrelated public company, agreed to participate in PELP by becoming a general partner and contributing \$1.3 million (which was paid) towards the first year's expenditure commitment (an amount which was refunded to the Company, thereby reducing its initial contribution to \$1.2 million) and to receive the option to earn a maximum 20% interest in PELP in consideration for agreeing to fund 50% of the first \$5.0 million in PELP expenditures. Expatriate subsequently acknowledged that it would not be paying its share of future project expenditures, and accordingly surrendered its interest in PELP to HDGI pursuant to the terms of an agreement between the two parties, which agreement included the issuance of 7 million shares of Expatriate to HDGI, and HDGI allotted such shares to the Company.

As the primary general partner of PELP, the Company has accounted for its investment on the basis of its economic substance, which is that of mineral property exploration expenses. Accordingly, these financial statements reflect the Company's pro-rata share (based on the Partners' respective capital account balances) of PELP exploration expenses incurred to December 31, 2001, the date Expatriate effectively resigned its participation in the partnership, plus all PELP exploration expenses incurred subsequent to that date. The gross PELP expenditures incurred to date apply to the exploration requirements of the Fox River Property option and have accrued substantially to the benefit of the Company as the primary remaining general partner of PELP, subsequent to December 31, 2001.

In a related arrangement, Rockwell Ventures Inc. ("Rockwell"), which had originally acquired the Fox River Project option from HDGI and which is a public company also related by certain common directors, was unable to complete on the option and quitclaimed its interest in PELP and the Fox River Project in favor of the Company. In consideration, the Company agreed to issue to Rockwell up to 1,000,000 share purchase warrants, issuable as to 200,000 share purchase warrants per \$2.5 million in property expenditures, of which on December 31, 2001 the Company issued 200,000 first year warrants, exercisable at \$1.00 for two years.

During the 2003 fiscal year, the Company sought an extension to earn an interest in the Fox River property, but it was not agreed to by Falconbridge. On January 10, 2003, the Company terminated its option to earn a 60% participating joint venture interest from Falconbridge Limited on the Fox River Project. Accordingly, no further warrants are issuable by Amarc to Rockwell relating to this property.

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Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

- (c) *Other*
Canadian Properties - Yukon Territory and Saskatchewan

The Company has a 5% net profits interest (NPI) in the 46 mineral claims comprising the Ana Property in the Yukon, and a 2.5% NPI in a mineral lease comprising the Mann Lake Property in Saskatchewan. The Company has neither active exploration programs nor does it plan to undertake any new programs on these properties at the present time.

6. EXPLORATION EXPENSES

| | Inde Property | Fox River Property | Three months ended June 30 | |
|---|------------------|-----------------------|----------------------------|----------------|
| | | | 2003 | 2002 |
| Assays and analysis | \$ 59 | \$ - | \$ 59 | \$ 17,284 |
| Drilling | - | - | - | 331,361 |
| Engineering | - | - | - | 1,854 |
| Equipment rental | - | - | - | 25,186 |
| Freight | - | - | - | 13,554 |
| Geological | 2,419 | - | 2,419 | 189,999 |
| Graphics | - | - | - | 10,421 |
| Helicopter | - | - | - | 70,097 |
| Property fees/assessment | (13,466) | - | (13,466) | (5,128) |
| Site activities | 16,854 | 662 | 17,516 | 105,859 |
| Travel and accommodation | (25) | - | (25) | 23,762 |
| Incurred during the period | 5,841 | 662 | 6,503 | 784,249 |
| Cumulative exploration expenses, beginning of period | 2,323,210 | 1,810,526 | 4,133,736 | 3,728,406 |
| Cumulative exploration expenses, end of period | \$ 2,329,051 | \$ 1,811,188 | \$ 4,140,239 | \$ 4,512,655 |

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Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

7. SHARE CAPITAL

(a) Authorized share capital

The Company's authorized share capital consists of 100,000,000 common shares, without par value.

(b) Issued and outstanding common shares

| | Price | Number of Shares | Amount |
|--|--------|-------------------|---------------------|
| Common shares issued: | | | |
| Balance March 31, 2000 | | 9,650,000 | \$ 6,499,359 |
| Options exercised in fiscal 2001 | \$0.35 | 120,000 | 42,000 |
| Balance March 31, 2001 | | 9,770,000 | \$ 6,541,359 |
| Issued during fiscal 2002 | | | |
| Private placement, January 2002 (net of issue costs) | \$0.40 | 2,500,000 | 913,649 |
| Private placement, March 2002 (net of issue costs) | \$0.40 | 2,500,000 | 905,744 |
| Balance March 31, 2002 | | 14,770,000 | 8,360,752 |
| Issued during fiscal 2003 | | | |
| Warrants exercised | \$0.40 | 87,500 | 35,000 |
| Option payment, September 2002 | \$0.42 | 25,500 | 10,467 |
| Option payment, October 2002 | \$0.18 | 240,180 | 43,232 |
| Private placement, August 2002 (net of issue costs) ⁽ⁱ⁾ | \$0.60 | 345,710 | 186,224 |
| Balance March 31, 2003 and June 30, 2003 | | 15,468,890 | \$ 8,635,675 |

(i) On August 27, 2002, the Company closed a private placement of 345,710 units at a price of \$0.60 per unit. Each unit was comprised of one common share and one share purchase warrant (note 7(d)).

(c) Share purchase option compensation plan

The Company has a share purchase option compensation plan approved by the shareholders that allows it to grant up to 2,970,000 share purchase options, vesting over up to two years, subject to regulatory terms and approval, to its employees, officers, directors and consultants. The exercise price of each option can be set equal to or greater than the closing market price of the common shares on the TSX on the day prior to the date of the grant of the option, less any allowable discounts. Options have a maximum term of five years and terminate 30 days following the termination of the optionee's employment, except in the case of retirement or death.

The continuity of share purchase options for the three months ending June 30, 2003 is:

| Expiry date | Exercise Price | Mar. 31 2003 | Granted | Exercised | Expired/ Cancelled | June 30 2003 |
|---------------------------------|----------------|------------------|--------------|-----------|--------------------|----------------|
| April 5, 2003 | \$0.56 | 1,200,000 | – | – | (1,200,000) | – |
| January 30, 2004 | \$0.48 | 667,000 | – | – | (10,000) | 657,000 |
| December 20, 2004 | \$0.18 | 97,000 | – | – | – | 97,000 |
| May 9, 2005 | \$0.17 | – | 7,000 | – | – | 7,000 |
| | | 1,964,000 | 7,000 | – | (1,210,000) | 761,000 |
| Weighted average exercise price | | \$ 0.51 | \$ 0.17 | \$ – | \$ 0.56 | \$ 0.44 |

The contractual remaining life of share purchase options is 0.54 years.

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(Expressed in Canadian Dollars)

(d) *Share purchase warrants*

The continuity of share purchase warrants (each warrant exercisable into one common share) for the three months ending June 30, 2003 is:

| Expiry date | Exercise Price | Mar. 31 2003 | Issued | Exercised | Expired/Cancelled | June 30 2003 |
|------------------------------------|----------------|------------------|--------|-----------|-------------------|------------------|
| September 8, 2003 | \$ 0.50 | 2,500,000 | – | – | – | 2,500,000 |
| December 27, 2003 ⁽ⁱⁱ⁾ | \$ 0.73 | 345,710 | – | – | – | 345,710 |
| December 31, 2003 ⁽ⁱⁱⁱ⁾ | \$ 0.50 | 200,000 | – | – | – | 200,000 |
| January 7, 2004 ⁽ⁱ⁾ | \$ 0.40 | 2,412,500 | – | – | – | 2,412,500 |
| | | 5,458,210 | – | – | – | 5,458,210 |
| Weighted average exercise price | | \$ 0.47 | \$ – | \$ – | \$ – | \$ 0.47 |

- (i) In December 2002, the TSX Venture Exchange gave approval for 2,412,500 warrants to have their original expiry dates of January 7, 2003 and July 7, 2003 extended to January 7, 2004.
- (ii) Each share purchase warrant entitles the holder to purchase an additional common share at a price of \$0.73 until December 27, 2003. The share purchase warrants are subject to a 45-day accelerated expiry if the closing price of the common shares of the Company as traded on the TSX Venture Exchange is at least \$1.10 for ten consecutive trading days.
- (iii) In December 2002, the Company amended the exercise price of 200,000 warrants from their original price of \$1.00 to \$0.50.

The contractual remaining life of share purchase warrants is 0.37 years.

8. RELATED PARTY TRANSACTIONS AND BALANCES

| Transactions | Three months ended June 30, 2003 | Year ended March 31, 2003 |
|---|-------------------------------------|------------------------------|
| Services rendered and expenses reimbursed | | |
| Hunter Dickinson Inc. (a) | \$ 56,750 | \$ 973,289 |
| Hunter Dickinson Group Inc. (b) | 3,200 | 20,736 |
| C.E.C. Engineering Ltd. (c) | – | 10,123 |

| Balances receivable (payable) | As at June 30, 2003 | Year ended March 31, 2003 |
|---------------------------------|------------------------|------------------------------|
| Hunter Dickinson Inc. (a) | \$ (190,857) | \$ (258,534) |
| Hunter Dickinson Group Inc. (b) | (3,424) | 92,984 |
| Total | \$ (194,281) | \$ (165,550) |

- (a) Hunter Dickinson Inc. ("HDI") and its wholly-owned subsidiaries are private companies with certain directors in common that provide geological, corporate development, administrative and management services to, and incur third party costs on behalf of, the Company on a full cost recovery basis pursuant to an agreement dated December 31, 1996. Balances receivable from (payable to) Hunter Dickinson Inc. have arisen in the normal course of exploration work on the Company's mineral properties and operating expenses.
- (b) Hunter Dickinson Group Inc. ("HDGI") is a private company with certain directors in

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common that provides consulting services at market rates to the Company. The balances receivable from HDGI have resulted from working capital advances in excess of services rendered to the Company.

- (c) C.E.C. Engineering Ltd. is a private company controlled by a director, which provides engineering management services to the Company based on the fair market value of those services.

9. RECLAMATION DEPOSIT

In March 2002, the Company deposited \$70,000 in trust with Gordon J. Fretwell Law Corporation as a reclamation deposit related to the Fox River Property (note 5). On January 10, 2003, the Company terminated the option with Falconbridge on the Fox River property. The reclamation deposit in the amount of \$70,000 was returned to the Company on June 11, 2003.

10. GOVERNMENT GRANTS

During the year ended March 31, 2003, the Company received \$97,438 (year ended March 31, 2002 - \$387,880) from the Manitoba Mineral Exploration Assistance Program, a program which provides financial assistance for non-fuel mineral exploration in Manitoba, in respect of its work on the Fox River Property. Under the terms of this program, the Company is eligible for a rebate of 35% of qualifying expenditures. As each grant application is subject to government review and approval, the Company records the proceeds of these grants upon receipt, as a reduction of exploration expenses.

11. INCOME TAXES

As of March 31, 2003, the Company had approximately \$2.0 million in non-capital losses and approximately \$2.0 million in capital losses available for Canadian tax purposes to reduce taxable income in future years. These non-capital losses expire in various periods ranging from 2004 to 2010. Future tax benefits, if any, resulting from the application of these losses have not been reflected in these financial statements, as it cannot be considered more likely than not that they will be realized.