



**British Columbia  
Securities Commission**

**QUARTERLY AND YEAR END REPORT  
BC FORM 51-901F (previously Form 61)**

*Freedom of Information and Protection of Privacy Act:* The personal information requested on this form is collected under the authority of and used for the purpose of administering the *Securities Act*. Questions about the collection or use of this information can be directed to the Supervisor, Financial Reporting (604-899-6731), P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2. Toll Free in British Columbia 1-800-373-6393.

INCORPORATED AS PART OF:

Schedule A

Schedule B  
(place X in appropriate category)

**ISSUER DETAILS**

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
<b>FIRST GOLDWATER RESOURCES INC.</b>	<b>May 31, 2003</b>	<b>03/09/30</b>

ISSUER'S ADDRESS **101 Church Bay Road**

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
<b>Saturna Island</b>	<b>BC</b>	<b>V0N 2Y0</b>	<b>250-539-5683</b>	<b>250-539-5680</b>

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
<b>Conrad Clemiss</b>	<b>Director</b>	<b>604-841-2580</b>

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
<b>conrad&amp;shaw.ca</b>	<b>N/A</b>

**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.

<b>"Conrad Clemiss"</b>	<b>CONRAD CLEMISS</b>	<b>03/09/30</b>
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

<b>"Allen Sewell"</b>	<b>ALLEN SEWELL</b>	<b>03/09/30</b>
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

**FIRST GOLDWATER RESOURCES INC.**

**REPORT AND FINANCIAL STATEMENTS**

May 31, 2003 and 2002

## AUDITORS' REPORT

To the Shareholders,  
First Goldwater Resources Inc.

We have audited the balance sheets of First Goldwater Resources Inc. as at May 31, 2003 and 2002 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada  
September 2, 2003

“AMISANO HANSON”  
Chartered Accountants

**FIRST GOLDWATER RESOURCES INC.**  
**BALANCE SHEETS**  
May 31, 2003 and 2002

	<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
Current			
Cash		\$ 15,551	\$ 6,912
Accounts receivable – Note 8		26,479	80,070
Marketable securities		-	4,000
Prepaid expenses		2,125	1,261
		<hr/>	<hr/>
		44,155	92,243
Resource property costs – Note 3 and Schedule 1		70,000	379,545
Capital assets – Note 4		-	9,877
		<hr/>	<hr/>
		\$ 114,155	\$ 481,665
		<hr/> <hr/>	<hr/> <hr/>

**LIABILITIES**

Current			
Accounts payable and accrued liabilities – Note 8		\$ 22,085	\$ 152,560
Loans payable – Notes 5 and 8		-	36,055
		<hr/>	<hr/>
		22,085	188,615
Debentures payable – Notes 6 and 8		-	333,250
		<hr/>	<hr/>
		22,085	521,865
		<hr/>	<hr/>

**SHAREHOLDERS' EQUITY (DEFICIENCY)**

Share capital – Notes 7 and 12	5,963,017	5,934,267
Units subscribed – Notes 7 and 12	500,000	-
Deficit	( 6,370,947)	( 5,974,467)
	<hr/>	<hr/>
	92,070	( 40,200)
	<hr/>	<hr/>
	\$ 114,155	\$ 481,665
	<hr/> <hr/>	<hr/> <hr/>

Nature and Continuance of Operations – Note 1  
 Commitments – Note 7  
 Subsequent Event – Note 12

APPROVED BY THE DIRECTORS:

*“Allen Sewell”*

\_\_\_\_\_, Director

*“Conrad Clemiss”*

\_\_\_\_\_, Director

SEE ACCOMPANYING NOTES

**FIRST GOLDWATER RESOURCES INC.**  
**STATEMENTS OF LOSS AND DEFICIT**  
for the years ended May 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Oil and gas income, net	\$ 66,988	\$ 76,736
Interest income	-	2,436
	<hr/>	<hr/>
	66,988	79,172
	<hr/>	<hr/>
Expenses		
Accounting and audit fees	5,168	24,925
Amortization of capital assets	-	2,446
Amortization and depletion of resource property costs	107,089	75,876
Bank charges and interest – Note 8	30,891	43,150
Consulting fees – Note 8	15,385	7,703
Filing fees	9,485	13,644
Foreign exchange gain	( 8,948)	( 4,006)
Legal fees	9,833	31,033
Management fees – Note 8	3,667	92,137
Office and printing – Note 8	4,674	31,375
Rent – Note 8	1,335	28,003
Shareholder information	2,389	3,186
Transfer agent fees	9,099	5,799
Travel and promotion	4,400	7,458
	<hr/>	<hr/>
	194,467	362,729
	<hr/>	<hr/>
Loss before other items	( 127,479)	( 283,557)
Other items		
Loss on sale of marketable securities	( 387)	( 18,479)
Write-down of marketable securities	-	( 3,500)
Write-off of resource property costs – Note 3 and Schedule 1	( 208,430)	( 692,490)
Gain on write-off of accounts payable	7,489	1,539
Write-off of capital assets	( 9,877)	-
Write-off of loans receivable – Note 8	( 57,796)	( 24,999)
	<hr/>	<hr/>
Net loss for the year	( 396,480)	( 1,021,486)
Deficit, beginning of the year	( 5,974,467)	( 4,952,981)
	<hr/>	<hr/>
Deficit, end of the year	\$ ( 6,370,947)	\$ ( 5,974,467)
	<hr/>	<hr/>
Basic and diluted loss per share	\$ ( 0.34)	\$ ( 1.12)
	<hr/>	<hr/>

SEE ACCOMPANYING NOTES

**FIRST GOLDWATER RESOURCES INC.**  
**STATEMENTS OF CASH FLOWS**  
for the years ended May 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating Activities		
Net loss for the year	\$ ( 396,480)	\$ ( 1,021,486)
Items not involving cash:		
Amortization of capital assets	-	2,446
Amortization and depletion of resource property costs	107,089	75,876
Loss on sale of marketable securities	387	18,479
Write-down of marketable securities	-	3,500
Write-off of resource property costs	208,430	692,490
Gain on write-off of accounts payable	( 7,489)	( 1,539)
Write-off of capital assets	9,877	-
Write-off of loans receivable	57,796	24,999
	<hr/>	<hr/>
	( 20,390)	( 205,235)
Changes in non-cash working capital accounts:		
Accounts receivable	( 4,205)	50,638
Prepaid expenses	( 864)	1,579
Accounts payable and accrued liabilities	( 122,986)	56,316
	<hr/>	<hr/>
	( 148,445)	( 96,702)
Financing Activities		
Increase (decrease) in loans payable	( 36,055)	36,055
Decrease in debentures payable	( 333,250)	-
Issuance of common shares	28,750	181,400
Units subscribed	500,000	-
	<hr/>	<hr/>
	159,445	217,455
Investing Activities		
Proceeds on sale of marketable securities	3,613	34,021
Increase in loans receivable	-	10,710
Acquisition of capital assets	-	( 3,474)
Resource property costs	( 9,719)	( 487,234)
Proceeds on sale of interest in resource property	3,745	45,000
	<hr/>	<hr/>
	( 2,361)	( 400,977)
Increase (decrease) in cash during the year	<hr/>	<hr/>
	8,639	( 280,224)
Cash, beginning of the year	6,912	287,136
Cash, end of the year	<hr/>	<hr/>
	\$ 15,551	\$ 6,912
Supplementary information;		
Interest paid	\$ 57,181	\$ -
Income taxes	\$ -	\$ -
	<hr/>	<hr/>

Non-cash Transactions – Note 9

SEE ACCOMPANYING NOTES

**FIRST GOLDWATER RESOURCES INC.**  
**SCHEDULE OF RESOURCE PROPERTY COSTS**  
for the years ended May 31, 2003 and 2002

Schedule 1

	Pioneer Canal 61-9 USA	Pioneer Canal 12-10 USA	Pioneer Canal Pipeline USA	Travis Gas Project USA	Green Ranch Project USA	2003 Total	2002 Total
Balance, beginning of year	\$ 177,089	\$ 106,268	\$ 20,598	\$ 55,259	\$ 20,331	\$ 379,545	\$ 765,677
Acquisition Costs							
Cash	-	-	-	-	-	-	-
Deferred Exploration Costs							
Drilling and field costs	-	-	-	-	9,719	9,719	407,402
Land lease	-	-	-	-	-	-	4,277
Management	-	-	-	-	-	-	55,767
	-	-	-	-	9,719	9,719	467,446
Capital Assets							
Pipeline	-	-	-	-	-	-	21,293
Amortization and depletion	(107,089)	-	-	-	-	(107,089)	(75,876)
Other							
Write-off of resource property costs	-	(102,523)	(20,598)	(55,259)	(30,050)	(208,430)	(692,490)
Recovery of costs	-	-	-	-	-	-	(1,505)
Proceeds from sale	-	(3,745)	-	-	-	(3,745)	(105,000)
	-	(106,268)	(20,598)	(55,259)	(30,050)	(212,175)	(798,995)
Balance, end of the year	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000	\$ 379,545

**FIRST GOLDWATER RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
May 31, 2003 and 2002

Note 1 Nature and Continuance of Operations

The Company is in the development stage, was incorporated on July 15, 1985, under the Company Act of British Columbia and its common shares are publicly traded on the TSX Venture Exchange.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has accumulated losses of \$6,370,947 since inception. The Company's ability to meet its obligations and maintain its operations is contingent upon successful completion of additional financing arrangements and/or the ability to generate profitable operations in the future.

The Company is in the process of exploring its resource properties and has not determined whether these properties contain reserves which are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their exploration and development and future profitable production from the properties or proceeds from their disposition.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results may differ from these estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Oil and Gas Properties and Depletion

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are initially capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition and exploration activities.

Costs capitalized, together with the costs of production equipment, are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves as determined by independent petroleum engineers. Petroleum products and reserves are converted to a common unit of measure, using 6 MCF of natural gas to one barrel of oil.

Note 2      Summary of Significant Accounting Policies – (cont'd)

(a) Oil and Gas Properties and Depletion

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

Proceeds from a sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would alter the rate of depletion by more than 20%. Royalties paid net of any tax credits received are netted with oil and gas sales.

In applying the full cost method, the Company performs a ceiling test on properties which restricts the capitalized costs less accumulated depletion from exceeding an amount equal to the estimated undiscounted value of future net revenues from proved oil and gas reserves, as determined by independent engineers, based on sales prices achievable under existing contracts and posted, average reference prices in effect at the end of the year and current costs, and after deducting estimated future general and administrative expenses, production related expenses, financing costs, future site restoration costs and income taxes.

(b) Fair Market Value of Financial Instruments

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate fair value because of the short-term maturity of those instruments. 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.

(c) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the balance sheet. Gains or losses are included in income of the year. Non-monetary assets, liabilities and other items recorded in income arising from transactions denominated in foreign currencies, are translated at rates of exchange in effect at the date of the transaction.

Note 2      Summary of Significant Accounting Policies – (cont'd)

(d) Basic and Diluted Loss Per Share

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the “if converted” method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

(e) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

(f) Marketable Securities

Marketable securities are valued at the lower of cost and market value.

(g) Stock-based Compensation

The Company has a stock-based compensation plan as disclosed in Note 7, whereby stock options are granted in accordance with the policies of regulatory authorities. The Company applies the “settlement method” of accounting for stock-based compensation awards. No compensation expense is recognized for those options when issued to employees and directors. Any consideration paid by employees and directors upon exercise of stock options is credited to share capital.

Effective for fiscal years beginning on or after January 1, 2002, public companies are required to adopt the new recommendations of the Canadian Institute of Chartered Accountants regarding accounting for Canadian Stock-based Compensation. These new requirements require that all stock based payments to non-employees and direct awards of stock to employees be accounted for using a fair value based method of accounting. However, the new standard permits the Company to continue its existing policy of not recording compensation cost on the grant of stock options to employees with the addition of pro forma information. The Company has elected to apply the pro forma disclosure provisions of the new standard to awards granted on or after June 1, 2002.

Note 3      Resource Property Costs – Note 8

Oil and Gas Properties

(a) Kern County, USA, Pioneer Canal 61-9 Prospect

During the year ended May 31, 1998, the Company entered into an option agreement whereby the Company earned a 27.93% working interest in the Pioneer Canal 61-9 Prospect, located in Kern County, California.

The Company's working interest is reduced to 18.99% when the cash investment is recovered from the net production proceeds. The Company has the right to participate in further wells drilled on the property.

On February 6, 1999, the oil and gas well commenced production. The working interest is subject to a total royalty burden of 22.5% and an ad valorem tax of 1.5%. The Company earned net revenues of \$74,544 and \$39,682 on the prospect for the years ended May 31, 2003 and 2002, respectively.

	<u>2003</u>	<u>2002</u>
Acquisition costs	\$ 229,442	\$ 229,442
Drilling	131,359	131,359
Engineering	7,440	7,440
Finder's fee	35,659	35,659
Reports and mapping	7,457	7,457
Surface equipment	249,014	249,014
	<hr/>	<hr/>
	660,371	660,371
Accumulated depletion	( 590,371)	( 483,282)
	<hr/>	<hr/>
Total	\$ 70,000	\$ 177,089
	<hr/> <hr/>	<hr/> <hr/>

Note 3      Resource Property Costs – Note 8 – (cont'd)

Oil and Gas Properties – (cont'd)

(b) Kern County, USA, Pioneer Canal 12-10 Prospect

During the year ended May 31, 2000, the Company entered into an option agreement whereby the Company earned a 27.83% working interest in the Pioneer Canal 12-10 Prospect, located in Kern County, California.

The Company's working interest is reduced to 18.87% when the cash investment is recovered from the net production proceeds. The Company has the right to participate in further wells drilled on the property.

On February 3, 2000, the oil and gas well commenced production. The working interest is subject to a total royalty burden of 22.5% and an ad valorem tax of 1.5%. The Company earned net revenues (loss) of \$(6,041) and \$35,011 on the prospect for the years ended May 31, 2003 and 2002, respectively.

During the year ended May 31, 2003, the Company sold a 5% working interest in the Pioneer Canal 12-10 Prospect for \$3,745. Property costs of \$102,523 was included in write-off of resource property costs for the year ended May 31, 2003.

	<u>2003</u>	<u>2002</u>
Acquisition costs	\$ 246,691	\$ 246,691
Drilling	63,588	63,588
Reports and mapping	5,096	5,096
Surface equipment	101,397	101,397
	<hr/>	<hr/>
	416,772	416,772
Return of capital investment	( 55,004)	( 55,004)
Accumulated depletion	( 255,500)	( 255,500)
Write-off of resource property costs	( 102,523)	-
Proceeds from sale	( 3,745)	-
	<hr/>	<hr/>
Total	\$ -	\$ 106,268
	<hr/> <hr/>	<hr/> <hr/>

(c) Pioneer Canal Pipeline, Kern County, USA

On May 15, 2001, the Company entered into a joint venture operating agreement whereby the Company earned a 15.158% interest in Pioneer Canal Pipeline (the "Pipeline") located in Kern County, California.

During the year ended May 31, 2003, management of the Company abandoned its interesting the Pipeline and has written-off resource property costs of \$20,598.

Note 3 Resource Property Costs – Note 8– (cont'd)

Oil and Gas Properties – (cont'd)

(d) Travis Gas Project, Solano County, USA

During the year ended May 31, 2001, the Company acquired, from a company with directors in common, a 1.5% working interests in wells located in Solano County, USA. During the year ended May 31, 2003, the Company abandoned the Pale Rider 3-26 well and has written-off \$55,259. This amount is included in write-off of resource property costs.

(e) Green Ranch Project, Stephens County, USA

On February 4, 2002, the Company entered into an operating agreement whereby it acquired a 5% working interest and 3.9% net revenue interest in the initial Z-1 well, located in Stephens County, Texas. The Company has the right to participate in further wells drilled on the property by paying its proportionate percentage of the Project costs. For the year ended May 31, 2003 net operating costs were \$1,516 on this property.

During the year ended May 31, 2003, management of the Company abandoned its interest in the well and has written-off resource property costs of \$30,050.

Note 4 Capital Assets

		2003		2002
	<u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u>	<u>Net</u>
Furniture and fixtures	\$ -	\$ -	\$ -	\$ 6,789
Computer equipment	-	-	-	3,088
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,877</u>

Note 5 Loans Payable

	<u>2003</u>	<u>2002</u>
a) Loan payable of US\$17,830 to a company with common directors is unsecured, non-interest bearing and has no specific terms of repayment	\$ -	\$ 28,343
b) Loan payable of US\$5,000 to a private company is unsecured, non-interest bearing and has no specific terms of repayment	\$ -	\$ 7,712
	<u>\$ -</u>	<u>\$ 36,055</u>

Note 6 Debentures Payable – Note 8

Debentures of \$333,250 (US\$215,000) bear interest at 12% per annum payable quarterly and were due May 23, 2004. During the year ended May 31, 2003, the Company paid the debenture holders US\$215,000 plus accrued interest of US\$36,883.

Note 7 Share Capital – Note 12

a) Authorized:

200,000,000 common shares without par value

b) Issued:

	<u>Number</u>	<u>\$</u>
Balance, May 31, 2001	13,269,020	5,507,367
For cash:		
Pursuant to a private placement – at \$0.125	980,000	122,500
Pursuant to the exercise of share purchase options		
– at \$0.12	23,500	2,820
– at \$0.17	30,000	5,100
Pursuant to the exercise of share purchase warrants		
– at \$0.124	95,000	11,780
– at \$0.175	224,000	39,200
Pursuant to the conversion of special warrants – at \$0.15	1,636,666	245,500
Balance, May 31, 2002	<u>16,258,186</u>	<u>5,934,267</u>
For cash:		
Pursuant to the exercise of share purchase options		
– at \$0.11	125,000	13,750
Pursuant to the exercise of share purchase warrants		
– at \$0.10	150,000	15,000
Cancellation of escrow shares	(274,807)	-
	<u>16,258,379</u>	<u>5,963,017</u>
Rollback of share capital 16:1	(15,242,230)	-
Balance, May 31, 2003	<u><u>1,016,149</u></u>	<u><u>5,963,017</u></u>

Note 7 Share Capital – Note 12 – (cont'd)

c) Escrow:

During the year ended May 31, 2003, the Company cancelled 274,807 escrow shares.

d) Commitments:

i) Share Purchase Options

From time to time, the Company grants share purchase options to directors and employees to purchase common shares of the Company at market related prices. Information regarding the Company's outstanding share purchase options is summarized below:

	<u>2003</u>		<u>2002</u>	
	<u>Number</u>	<u>Weighted Average Price</u>	<u>Number</u>	<u>Weighted Average Price</u>
Balance, beginning of year	1,488,950	\$ 0.19	1,296,450	\$ 0.23
Granted	-	-	641,000	0.11
Cancelled or expired	(1,363,950)	0.19	(395,000)	0.17
Exercised	( 125,000)	0.11	( 53,500)	0.15
Balance, end of year	<u>-</u>	<u>\$ -</u>	<u>1,488,950</u>	<u>\$ 0.19</u>

ii) Share Purchase Warrants

At May 31, 2003, there were 51,875 share purchase warrants outstanding. Each warrant entitles the holders thereof the right to purchase one common share for \$1.60 per share until November 26, 2003. If the closing price for the Company's shares is \$2.00 per share or greater for a period of 10 consecutive trading days, then the warrant holders will have 30 days to exercise their warrants, otherwise the warrants will expire on the 31<sup>st</sup> day.

iii) Units Subscribed

During the year ended May 31, 2003, the Company received \$500,000 pursuant to a private placement of 5,000,000 units at \$0.10 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Company for two years at \$0.13 per share.

Note 8 Related Party Transactions – Notes 3 and 6

- (a) The Company incurred the following transactions with directors or officers of the Company or with companies with directors or officers in common:

	Year ended May 31,	
	<u>2003</u>	<u>2002</u>
Consulting fees	\$ 16,210	\$ -
Interest	9,098	12,232
Management fees	3,667	92,137
Office and printing	6,000	-
Rent	-	7,103
	<u>\$ 34,975</u>	<u>\$ 111,472</u>

The charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

- a) At May 31, 2003 and 2002, the Company had the following amounts due from (to) directors and a former director of the Company or companies with directors in common:

	<u>2003</u>	<u>2002</u>
Accounts receivable	\$ 8,580	\$ 57,795
Accounts payable and accrued liabilities	\$ ( 1,216)	\$ ( 41,510)
Loans payable	\$ -	\$ ( 28,343)

During the year ended May 31, 2003, loans totalling \$57,795 due from former directors or companies with former directors in common were written-off.

- c) At May 31, 2002 debentures payable included \$100,000 (US\$65,000) due to a company with common directors.

Note 9 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows and are excluded from the statements of cash flows. During the year ended May 31, 2002, the Company received \$60,000 of marketable securities as partial consideration on the sale of a 2% working interest in a resource property.

Note 10 Segmented Information

Geographic Information

Revenues from operations in 2003 and 2002 were derived from oil and gas sales in the United States and interest income which was earned in Canada.

The Company's non-current assets in geographic locations are as follows:

	<u>2003</u>	<u>2002</u>
Canada	\$ -	\$ 9,877
United States	70,000	379,545
	<u>\$ 70,000</u>	<u>\$ 389,422</u>

Note 11 Corporate Income Tax Loss Carry-forward

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Significant components of the Company's future tax assets and liabilities, after applying enacted corporation income tax rates, are as follows:

	<u>2003</u>	<u>2002</u>
Future income tax assets:		
Net tax non-capital losses carried forward	\$ 618,206	\$ 683,014
Resource deductions	1,333,672	1,333,387
Valuation allowance for future income tax assets	(1,951,878)	(2,016,401)
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

Management considers it more-likely-than-not that the amounts will not be utilized and accordingly a full valuation allowance has been applied.

Note 11 Corporate Income Tax Loss Carry-forward – (cont'd)

The Company has accumulated capital losses totalling \$174,647, Foreign and Canadian Exploration and Development Expenses of \$3,376,859 and non-capital losses totalling \$1,561,127 available to reduce taxable income of future years. The non-capital losses expire as follows:

2004	\$ 92,806
2005	146,609
2006	279,963
2007	435,599
2008	372,787
2009	212,973
2010	20,390
	<hr/>
	\$ 1,561,127
	<hr/> <hr/>

Note 12 Subsequent Event

Subsequent to May 31, 2003, the Company issued 5,000,000 common shares and 5,000,000 share purchase warrants at \$0.10 per share pursuant to a private placement. Each share purchase warrant entitles the holders to purchase one common share of the Company at \$0.13 per share for two years. Proceeds from this placement were included as units subscribed of \$500,000 at May 31, 2003.