



**British Columbia
Securities Commission**

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

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INCORPORATED AS PART OF:

Schedule A

Schedule B
(place X in appropriate category)

ISSUER DETAILS

NAME OF ISSUER

FOR QUARTER ENDED

DATE OF REPORT

FIRST GOLDWATER RESOURCES INC.

August 31, 2003

**YY/MM/DD
03/10/30**

ISSUER'S ADDRESS 1502-543 Granville Street

| CITY | PROVINCE | POSTAL CODE | ISSUER FAX NO. | ISSUER TELEPHONE NO. |
|-----------|----------|-------------|----------------|----------------------|
| Vancouver | BC | V6C 1X8 | 604-697-0686 | 604-683-5774 |

| CONTACT PERSON | CONTACT'S POSITION | CONTACT TELEPHONE NO. |
|----------------|--------------------|-----------------------|
| Conrad Clemiss | Director | 604-683-5774 |

| CONTACT E-MAIL ADDRESS | WEB SITE ADDRESS |
|------------------------|------------------|
| conclm@shaw.ca | N/A |

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.

| | | |
|-----------------------------|------------------------|---------------------------------|
| "Conrad Clemiss" | CONRAD CLEMISS | 03/10/30 |
| DIRECTOR'S SIGNATURE | PRINT FULL NAME | DATE SIGNED YY/MM/DD |

| | | |
|-----------------------------|------------------------|---------------------------------|
| "Tom Pressello" | TOM PRESSELLO | 03/10/30 |
| DIRECTOR'S SIGNATURE | PRINT FULL NAME | DATE SIGNED YY/MM/DD |

(Electronic signatures should be entered in "quotations")

FIRST GOLDWATER RESOURCES INC.

INTERIM FINANCIAL STATEMENTS

August 31, 2003 and May 31, 2003

(Stated in Canadian Dollars)

(Unaudited-Prepared by Management)

FIRST GOLDWATER RESOURCES INC.
INTERIM BALANCE SHEETS
August 31, 2003 and May 31, 2003
(Unaudited- Prepared by Management)

| | <u>ASSETS</u> | <u>2003</u> | <u>2003</u> |
|---|---|--------------|--------------|
| | | (Unaudited) | (Audited) |
| Current | | | |
| Cash | | \$ 16,782 | \$ 15,551 |
| Accounts receivable | | 36,652 | 26,479 |
| Prepaid expenses | | 1,112 | 2,125 |
| | | <hr/> | <hr/> |
| | | 54,546 | 44,155 |
| Resource property costs – Note 3 and Schedule 1 | | 70,000 | 70,000 |
| | | <hr/> | <hr/> |
| | | \$ 124,546 | \$ 114,155 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| | <u>LIABILITIES</u> | | |
| Current | | | |
| Accounts payable and accrued liabilities | | \$ 24,930 | \$ 22,085 |
| | | <hr/> | <hr/> |
| | | 24,930 | 22,085 |
| | | <hr/> | <hr/> |
| | <u>SHAREHOLDERS' EQUITY (DEFICIENCY)</u> | | |
| Share capital – Notes 4 | | 6,463,017 | 5,963,017 |
| Units subscribed | | - | 500,000 |
| Deficit | | (6,363,401) | (6,370,467) |
| | | <hr/> | <hr/> |
| | | 99,616 | 92,070 |
| | | <hr/> | <hr/> |
| | | \$ 124,546 | \$ 114,155 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Nature and Continuance of Operations – Note 1

APPROVED BY THE DIRECTORS:

“Tom Pressello”, Director

“Conrad Clemiss”, Director

SEE ACCOMPANYING NOTES

FIRST GOLDWATER RESOURCES INC.
INTERIM STATEMENTS OF INCOME AND DEFICIT
for the three months ended August 31, 2003 and 2002
(Unaudited- Prepared by Management)

| | <u>2003</u> | <u>2002</u> |
|---|-----------------|-----------------|
| Revenues | | |
| Oil and gas income, net | \$ 9,897 | \$ 4,601 |
| | <hr/> | <hr/> |
| | 9,897 | 4,601 |
| | <hr/> | <hr/> |
| Expenses | | |
| Accounting and audit fees | 2,302 | 700 |
| Amortization and depletion of resource property costs | - | 161,527 |
| Bank charges and interest | 92 | 10,935 |
| Communications | 493 | (3,018) |
| Consulting fees – Note 5 | 1,212 | 1,620 |
| Gain on forgiveness of debt | (13,262) | - |
| Loss on sale of securities | - | 700 |
| Filing fees | 1,232 | 4,980 |
| Foreign exchange loss (gain) | (151) | - |
| Legal fees | 6,266 | 4,541 |
| Management fees | - | 3,666 |
| Office and printing – Note 5 | 3,000 | 1,202 |
| Provincial and state taxes (recovered) | - | (400) |
| Rent | - | (399) |
| Transfer agent fees | 1,167 | 2,388 |
| Travel and promotion | - | 4,400 |
| | <hr/> | <hr/> |
| | 2,351 | 192,842 |
| | <hr/> | <hr/> |
| Net Income (loss) for the period | 7,546 | (188,241) |
| Deficit, beginning of the period | (6,370,947) | (5,974,467) |
| | <hr/> | <hr/> |
| Deficit, end of the period | \$ (6,363,401) | \$ (6,162,708) |
| | <hr/> | <hr/> |
| Basic and diluted loss per share | \$ (0.00) | \$ (0.01) |
| | <hr/> | <hr/> |

SEE ACCOMPANYING NOTES

FIRST GOLDWATER RESOURCES INC.
INTERIM STATEMENTS OF CASH FLOWS
for the three months ended August 31, 2003 and 2002
(Unaudited- Prepared by Management)

| | <u>2003</u> | <u>2002</u> |
|---|-------------|---------------|
| Operating Activities | | |
| Net Income (loss) for the period | \$ 7,546 | \$ (188,241) |
| Items not involving cash: | | |
| Amortization and depletion of resource property costs | - | 161,527 |
| | 7,546 | (26,714) |
| Changes in non-cash working capital accounts: | | |
| Accounts receivable | (10,173) | 25,888 |
| Prepaid expenses | 1,013 | (580) |
| Accounts payable and accrued liabilities | 2,845 | 3,960 |
| | 1,231 | 2,554 |
| Financing Activities | | |
| Issuance of common shares | - | 28,750 |
| | - | 28,750 |
| Investing Activities | | |
| Increase in resource property costs | - | (6,623) |
| | - | (6,623) |
| Increase (decrease) in cash during the period | 1,231 | 24,681 |
| Cash, beginning of the period | 15,551 | 6,912 |
| Cash, end of the period | \$ 16,782 | \$ 31,593 |

SEE ACCOMPANYING NOTES

FIRST GOLDWATER RESOURCES INC.
SCHEDULE OF RESOURCE PROPERTY COSTS
As of August 31, 2003 and May 31, 2003
(Unaudited- Prepared by Management)

Schedule 1

| | Pioneer Canal 61-9 <u>USA</u> | Aug. 31, 2003 <u>Total</u> | May 31, 2003 <u>Total</u> |
|--------------------------------------|-------------------------------------|-------------------------------|------------------------------|
| Balance, beginning of period | \$ 70,000 | \$ 70,000 | \$ 379,545 |
| Deferred Exploration Costs: | | | |
| Drilling and field costs | - | - | 9,719 |
| Amortization and depletion | - | - | (107,089) |
| Other | | | |
| Write-off of resource property costs | - | - | (208,430) |
| Proceeds from sale | - | - | (3,745) |
| Balance, end of the period | <u>\$ 70,000</u> | <u>\$ 70,000</u> | <u>\$ 70,000</u> |

FIRST GOLDWATER RESOURCES INC.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
August 31, 2003 and 2002
(Unaudited- Prepared by Management)

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 \$6,363,401 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 unaudited interim financial statements are prepared by the Company in accordance with Canadian accepted accounting principles. The preparation of financial data is based on accounting policies and practices consistent with those used in the annual audited financial statements. These interim financial statements do not include all the disclosures included in the Company's annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's annual financial statements.

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 that have been made using careful judgement. Actual results may differ from these estimates.

The interim 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.

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

(a) Oil and Gas Properties and Depletion

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.

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 4, 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

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 \$8,406 and \$4,601 on the prospect for the three months ended August 31, 2003 and 2002, respectively.

| | <u>Aug. 31, 2003</u> | <u>May 31, 2003</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 |
| | <u>660,371</u> | <u>660,371</u> |
| Accumulated depletion | (590,371) | (590,371) |
| Total | <u>\$ 70,000</u> | <u>\$ 70,000</u> |

Note 3 Resource Property Costs – (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 were included in write-off of resource property costs for the year ended May 31, 2003.

| | <u>Aug. 31, 2003</u> | <u>May 31, 2003</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) | (102,523) |
| Proceeds from sale | (3,745) | (3,745) |
| | <hr/> | <hr/> |
| Total | \$ - | \$ - |
| | <hr/> <hr/> | <hr/> <hr/> |

Note 3 Resource Property Costs – (cont'd)

Oil and Gas Properties – (cont'd)

(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 interest in the Pipeline and has written-off resource property costs of \$20,598.

(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.

(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.

First Goldwater Resources Inc.
Notes to the Interim Financial Statements
August 31, 2003 and 2002 – Page 7
(Unaudited- prepared by management)

Note 4 Share Capital

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 warrant | 1,636,666 | 245,500 |
| – at \$0.15 | | |
| | <hr/> | <hr/> |
| Balance, May 31, 2002 | 16,258,186 | 5,934,267 |
| 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) | - |
| | <hr/> | <hr/> |
| | 16,258,379 | 5,963,017 |
| Rollback of share capital 16:1 | (15,242,230) | - |
| | <hr/> | <hr/> |
| Balance, May 31, 2003 | 1,016,149 | 5,963,017 |
| Pursuant to a private placement | 5,000,000 | 500,000 |
| – at \$0.10 | | |
| | <hr/> | <hr/> |
| Balance, August 31, 2003 | <u>6,016,149</u> | <u>6,463,017</u> |

c) Escrow:

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

d) Commitments:

i) Share Purchase Options

As at August 31, 2003 there was no share purchase option outstanding.

Note 4 Share Capital – (cont'd)

ii) Share Purchase Warrants

At August 31, 2003, there were 5,051,875 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant as follows:

| <u>Number</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|------------------|-----------------------|--------------------|
| 51,875 | \$1.60 | November 26, 2003* |
| 5,000,000 | \$0.13 | July 11, 2005 |
| <u>5,051,875</u> | | |

* If the closing price for the Company's share 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 31st day.

Note 5 Related Party Transactions

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

| | Three Months ended Aug. 31, | |
|---------------------|-----------------------------|-----------------|
| | <u>2003</u> | <u>2002</u> |
| Consulting fees | \$ 1,212 | \$ 1,620 |
| Interest | - | 3,031 |
| Management fees | - | 3,666 |
| Office and printing | 3,000 | - |
| Rent | - | (399) |
| | <u>\$ 4,212</u> | <u>\$ 7,918</u> |

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

Note 5 Related Party Transactions– (cont'd)

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

| | <u>Aug. 31, 2003</u> | <u>May 31, 2003</u> |
|--|----------------------|---------------------|
| Accounts receivable | 15,040 | 8,580 |
| Accounts payable and accrued liabilities | - | (1,216) |

Note 6 Segmented Information

Geographic Information

Revenues from operations in 2003 were derived from oil and gas sales in the United States.

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

| | <u>Aug. 31, 2003</u> | <u>May 31, 2003</u> |
|---------------|----------------------|---------------------|
| Canada | \$ - | \$ - |
| United States | 70,000 | 70,000 |
| | <u>\$ 70,000</u> | <u>\$ 70,000</u> |