

Murgor Resources Inc.

Annual Report

2003

CHAIRMAN'S MESSAGE

LOOKING FORWARD TO THE FUTURE!

The years 2002-2003 cover a period in Murgor's history that is marked by significant changes both in management as well as in the direction of future exploration. The immediate impact of the changes is the revitalization, up grading to first priority and expansion of the Barry – Urban gold exploration project in NW Quebec.

The recent addition and changes to the Board of Directors both enhance and improve the potential for the new management team to co-operate and succeed in the areas of

- Exploration funding through equity financing, and/or earn in joint ventures.
- Project evaluation, assessment and technical direction – management.
- Corporate development and business planning.

These management changes were necessary to ensure that Murgor is prepared to deal with and flourish within the dramatically different early twenty-first century global mining – mineral exploration environment.

MANAGEMENT – DIRECTION

The Company was pleased to announce, in May 2003, the appointment, by the Board of Directors of the Company, of André C. Tessier as President and Chief Executive Officer. Mr. Tessier was also appointed to the Board of Directors. W. Michael Atkins has been appointed as Non-Executive Chairman of the Board of Directors after resigning from his position as President and Chief Executive Officer. Ronald Kay resigned both as Chairman of the Board of Directors and as a Director.

Murgor is directed and managed by a talented group, consisting of the following people:

W. Michael Atkins, Chairman of the Board, Director: Mr. Atkins was the President of Murgor Resources Inc. from 1993 to 2003. Mr Atkins has a degree in geology from McGill University and has over 40 years of exploration experience with major and junior mining companies on three continents, including North and South America, as well as Australia. He has been involved in the discovery of copper-nickel, titanium, and uranium deposits in Canada, as well as gold deposits in both Canada and South America. Mr. Atkins has been awarded the Quebec Prospector of the Year Award in 1995. He has been involved with the Company for the past 18 years.

André C. Tessier, President, Director, Chief Executive Officer: Mr. Tessier holds an engineering degree from Ecole Polytechnique in Montreal and a Master's degree in geology from Queen's University in Kingston. He is a P.Eng. (Qc) and a P.Geol. (On) with more than 18 years of experience in the mineral industry. Since 1994 he has been an independent geological consultant specialising in structural geology and mineral exploration at the regional to mine-scale. Mr. Tessier has been involved in numerous surface, underground and open-pit mine exploration projects with a wide variety of deposit types in Canada and South America (precious metals (Au-Ag-PGE), base metal (Cu-Zn-Pb-Ni-Co-Mo) and Uranium deposits).

Mark Schneiderman, Secretary-Treasurer, Director: Mr. Schneiderman is a Chartered Accountant and a Certified Fraud Examiner. He has over 25 years of financial administration experience including partnership in an accounting practice and senior audit position at Via Rail Canada Inc. He has been with the Company for the past 7 years.

Mackenzie I. Watson, Director: Mr. Watson has 40 years of exploration experience and has been involved in the discovery of numerous coal, base metals and gold deposits in Canada. He was awarded both Canada's Prospector of the Year and Quebec's Prospector of the Year Awards. Mr. Watson is President of Freewest Resources Canada Inc and a former President of the Company and has been with the Company for 18 years.

Robert F. Weicker, Director: Mr. Weicker has a degree in geology from the University of Waterloo, and has over 25 years of exploration experience in North and South America, as well as in Asia. He is affiliated with the Association of Professional Engineers and Geoscientists of British Columbia. Mr. Weicker has been involved, at the management level, in the start up and development to production of base metal, polymetallic and gold mineral deposits in Canada and the U.S.A. He has held senior management positions with, and is a director of several junior mining companies. He has been with the Company for the past 4 years.

EXPLORATION STRATEGY

The Corporation will continue to adjust to financial market conditions, while at the same time formulating and executing a mid- to long-term gold exploration – development strategy. This strategy consists of a progressive approach from the initial acquisition of low cost prospective properties in favourable geologic environments to the stage where the property is at the advanced exploration level. This value-added progression is achieved through:

- The low-cost **acquisition** of highly prospective, grassroots properties through research and evaluation techniques. The properties favoured by Murgor are under-explored properties in new or underdeveloped areas, brought to Murgor's attention through research or through a network of prospectors.
- **Exploration** of the properties, for a given commodity, through a multidisciplinary approach using cost effective, technically proven and innovative exploration techniques.
- Once properties are at an advanced stage of exploration, the Corporation generally seeks a **joint venture partnership** with a major mining company to lever the Corporation's interest and finance the advanced intensive diamond drilling stage of the exploration program.

Over the past 10 years, the Corporation has optioned a number of its gold exploration projects in Quebec and Ontario to various exploration companies, including major mining companies such as Teck Corporation (1996), Battle Mountain Gold (1998) and Inmet Mining Corporation (1999).

YEAR 2002-2003 IN REVIEW:

Due to the recent market conditions and the value of Murgor shares, management was of the opinion that raising private equity financing in order to support exploration expenditures was not cost effective during the 2003 fiscal year. Instead, Murgor concentrated on reducing its expenses, keeping its best gold exploration projects and expanding the company's portfolio of high potential gold properties.

Murgor's exploration activities in 2002-2003 consisted of limited exploration work on the Gagné Gold Property in north-eastern Ontario, and the La Trève PGE Cu-Ni Property in north-central Québec. As a result of this exploration work, the Gagné Property option was returned to its vendors in November of 2002, and exploration at the La Trève Property is presently on hold, pending a review of results weighed against Murgor's financial commitments.

In late 2002, early 2003 Murgor expanded, through staking the Barry-Urban gold exploration project to cover 520 claims (176 km²) over four townships in the under-explored Barry-Urban greenstone belt of the NW Quebec Abitibi Subprovince.

OBJECTIVES 2003-2004:

Management's principle task for 2003-2004 is to finance, undertake exploration as well as evaluate the production potential of the Company's deposits in this highly prospective NW Quebec gold environment.

The directors are confident that under the management of André Tessier, the new President, that the Company's objective will be accomplished, including, most importantly, increasing Murgor's share value.

On behalf of the Board of Directors

(Signed: W. Michael Atkins, Geologist)

Chairman of the Board

September 1, 2003

PRESIDENT'S MESSAGE

NEW PRESIDENT AT MURGOR:

In May 2003, I was pleased to accept the position of President and CEO of Murgor Resources Inc. How did the Board of Directors come to offer me this position?

In May of 2002, I was approached by Murgor to re-evaluate the Barry Gold Prospect in light of the work conducted on the property by Teck Corporation in 1997-98. This re-evaluation of the project soon progressed into a district-wide compilation that led to the staking of 229* (refer to note at end of text) new claims, covering an additional in excess of 136 km² in the Barry-Urban exploration camp (these new properties are discussed below). I was the logical person to carry out this review because I had been involved with the optioning of the Barry property to Teck in 1996-1997.

My first involvement with Murgor Resources was in 1995. I was hired an independent consultant, working on the newly discovered Barry Gold Prospect in Northwestern Quebec. At the time, I had the privilege of participating in the successful exploration of the area and the expansion of the deposit that grew to an estimated resource of 610,000 tonnes at a grade of 7.0 g/t Au. These were very exciting times for Murgor and for myself.

It was with the same excitement and enthusiasm that I accepted the "Murgor-Challenge" in May, 2003.

Then and now, the challenges are great. In May 2003, Murgor shares were trading at \$0.06 (a gross under-evaluation of the company), the treasury was bare, and the company was and remains in debt. The redeeming factor: a tremendous portfolio of gold properties that include a gold resource of some 262,250 ounces Au at the Benoit and Barry properties.

My **objectives and priorities** for the year to come are as follows:

1. Obtain equity financing in order to successfully explore our top priority gold properties. Considering Murgor's present share value, a balance must be reached between obtaining sufficient funding to explore the properties without excessively diluting share value.
2. Obtain sufficient non-flow-through financing to assure that Murgor's diminishing administrative costs are covered for as long as possible.
3. To begin the process of reducing Murgor's debt by: issuing shares, non-flow-through equity financing or, selling (or entering joint venture partnership) exploration properties that are lower priority to the company.
4. Re-evaluate all of Murgor's current properties in light of the company's new exploration criteria. For each property, the up-coming administrative cost related to keeping the property in good standing will be weighed against Murgor's chance at exploration success.
5. Continue to cut administrative costs to maximise the dollar amount spent towards exploration. Among other solutions, this will be achieved through downsizing our office space in Montreal.
6. Acquire, through research and technical compilation, additional properties in unexplored or under-explored areas for gold and to a lesser extent base metals (Cu-Zn).
7. Open the lines of communications between Murgor's Management and its investors.

More specifically, Murgor's immediate priority is to obtain financing to initiate systematic and extensive exploration programs on the Urban-Barry, Mishibishu and Mount Pleasant gold exploration projects.

A REVIEW OF YEAR 2003 AND PREVIOUS YEARS:

Despite four (4) years of bottom-basement gold and base metal prices, Murgor fared better than most. During the last four (4) years, the mineral exploration industry (particularly those companies heavily weighed in gold) has gone through very dismal times. With the exception of a few months, gold prices were below the US\$300.00/oz. mark from November 1997 to February 2002, reaching a 20-year low of just above US\$250.00/oz. in July 1999. In comparison, during "healthier" times, between July 1979 and November 1997, the price of gold had only dipped below the US\$300.00/oz. mark for three (3) weeks and a day.

Consequently, it became virtually impossible for junior mining companies to finance their gold exploration projects. The solution, for Murgor, was to diversify into minerals that fared better on the market, such as diamonds (1999) and Platinum Group Elements (2000-2002).

Finally, 2002 marked the end of yet another depression in the ever-fluctuating price of gold. During 2002, the price of gold rose slowly but steadily, and has not dipped below the US\$300.00/oz. mark since February of 2002. So far, that trend is continuing at an even greater pace in 2003, and many reputable financial analysts are predicting an increase in gold prices up to US\$400.00/oz. by the end of 2003. With an excellent portfolio of gold properties, Murgor is poised for a much brighter future.

Those of us involved with mineral exploration have learned that times of low metal prices are periods of rebuilding and preparation for the always up-coming periods of higher metal prices. As difficult as they are, these periods of low metal prices must be viewed as times of opportunities to acquire inexpensive exploration properties and to adjust exploration criteria. This is precisely what Murgor has done in the latter part of 2002.

Despite the low price of gold and the lack of financing available to the junior mining industry, Murgor has not only managed to keep its best gold properties, but has added to them. Between September 2002 and July 2003, Murgor staked a total of 229* new claims in the Barry-Urban greenstone belt covering an additional 136 km².

Furthermore, Murgor is now moving away from exploration projects that fail to meet the management's new exploration criteria.

EXPLORATION 2003-2004:

The year 2003 marks a new beginning at Murgor with a rejuvenated and reinvigorated Board of Directors that has firmly returned its focus to gold exploration. In 2003, the Corporation will also investigate the possibility of acquiring high potential base metal exploration properties that are presently inexpensive due to all-time lows in the price of some base metals.

Murgor's rebuilding activities will concentrate on three (3) highly prospective gold exploration projects (in order of priority):

1. The **Urban-Barry Project** in Quebec,
2. The **Mishibishu Property** in Ontario, and
3. The **Mount-Pleasant Property** in New-Brunswick.

THE BARRY-URBAN PROJECT (QUEBEC):

The Urban-Barry Gold Project is located approximately 100 km east of the town of Lebel-Sur-Quévillon and, 180 km southwest of the town of Chibougamau in the Province of Québec. The Urban-Barry Gold Project is made up of three (3) properties within a radius of twenty (20) km at the eastern end of the Archean Abitibi Greenstone Belt.

- The **Barry Property** consists of 206 claims covering 3276 ha. The bulk of the property is held jointly by Murgor Resources and Freewest Resources Canada Inc, with the exception of the S.D.B.J. Option - a 14 claims (224 Ha) area at the heart of the Barry property that is wholly-owned by Murgor. The Barry Gold prospect lies within the S.D.B.J. option.
- The **Windfall Property**, which consists of 201* claims covering 8035 ha, is held jointly by Murgor and Freewest Resources Canada Inc. Most of the Property has been held since 1995 but 136* new claims were added in the northern part of the Property from November 2002 to July 2003.
- The **Rivière de L'Aigle Property**, which consists of 113 claims covering 6365 ha, is held jointly by Murgor and Freewest Resources Canada Inc. The property was staked between November 2002 and April 2003.

Together, the Barry, Windfall and Rivière de L'Aigle properties total 520* claims that cover more than 17,676 hectares (176 square km) of the most prospective ground of the Urban-Barry Greenstone Belt. In addition to holding the largest land position in the Barry exploration camp, Murgor possesses the best exploration expertise in the area as a result of its extensive knowledge of the Barry Deposit.

An exciting new structural interpretation of the Barry-Urban Belt has outlined five (5) large-scale target areas deemed highly prospective for Gold-Quartz vein deposits in shear zones and gold-rich Polymetallic (Cu, Zn, Au, ±Ag) Volcanogenic Massive Sulphide deposits.

The Barry Property:

The Barry Property covers the Barry Gold Prospect along with approximately 13 km of strike length of the prospective Murgor shear zone. The Murgor Shear Zone hosts the Barry deposit. The mineralized zone is approximately one (1) km long and up to 400m wide, and is characterized by pervasive alteration.

In 1995-1996, Murgor drilled 33 exploration drill holes for a total of 4845m on the Barry Prospect. Teck Corporation optioned the Barry property in 1997-1998 and drilled 24 holes for a total of 6960m. With the exception of five (5) drill holes, all of Teck's drilling was aimed at the existing mineralized zones.

At the Barry Property, the target consists of the extensions of the Barry Gold Prospect within the Murgor shear zone. Three (3) high priority IP anomalies defined prior to the option with Teck remain to be tested (1.5 km of strike length) immediately east of the Barry Prospect.

The Windfall Property:

The Windfall property covers the zone of intersection between the EW-trending Urban-Barry deformation zone and the NE-trending Milner-Murgor shear corridor (respectively a strike length of approximately 15 km and 12 km). The property also covers the northern half of the Windfall felsic complex, identified by the M.N.R.Q. in 2002 as a prospective area for gold rich Volcanogenic Massive Sulphide deposits. The southern part of the Windfall property was the focus of a grassroots exploration program conducted by Murgor from 1996 to 1998. Trenching and channel sampling uncovered three (3) new auriferous zones:

1. **Zone II:** Four (4) channel samples of 1.0 m long assayed from 23.0 g/ton to 71.0 g/t Au.
2. **Zone II:** Two (2) channel samples of 1.0 m long assayed 104.0 g/ton and 46.0 g/ton Au.
3. **Zone III:** One (1) 0.70 m long channel sample yielded 2.5 g/ton Au.

This initial surface exploration program was followed-up by a six (6) hole, 1095 m diamond drilling program with five (5) drill holes returning with gold values. The best intersections from this drilling program include 3.47 g/t Au over 1.9 m and 15.1 g/t over 1.2 m.

On June 25, 2003, Alto Ventures announced the results of a three (3) diamond drill hole program where drill hole FUR-03-03 intersected **10.25 g/t Au over a 22.85 m** core length. This intersection is located within 400m south of Murgor's Windfall property in a NNW-trending structure.

The Rivière de L'Aigle Property:

The Rivière de L'Aigle Property covers 20 km of strike length of the northern extension of the NE-trending Barry Lake-Masère deformation corridor and 5 km of strike length of the EW-trending Urban-Barry deformation zone. The southwest part of the property covers the highly prospective zone of intersection between the two shear zones; an area that covers 25 km². The northeast part of the property covers the northern extension of the Barry Lake-Masère shear zones.

Government airborne magnetic surveys show a magnetic low within an 84 km², highly magnetic circular intrusion. Such a magnetic low on this structure may suggest a magnetite-destructive alteration process similar to the alteration observed at the Barry prospect proximal to the auriferous mineralisation. The NE-trending magnetic low has a strike length of at least 5 km.

THE MISHIBISHU PROPERTY (ONTARIO):

The Mishibishu Property consists of 120 contiguous claims (1920 hectares) wholly-owned by Murgor. The property is located approximately 50 km west of the town of Wawa, Ontario, north of Lake Superior and approximately 80 km south east of the well-known Hemlo Gold Camp.

The Mishibishu property is located in the Archean Mishibishu Greenstone Belt, where three (3) deposits of gold-quartz veins hosted by shear zones, are located within 12 km of the property. To the south is the active EAGLE RIVER GOLD MINE (2.86Mt grading 8.84 g/t Au production and reserves) and to the north are the MISHI (1.25Mt grading 4.8g/t Au) and MAGNACON deposits (1.54Mt grading 6.9g/t Au). The Eagle River Mill is also located at the site of the old Magnacon Mine. The Mishibishu Property displays all the favorable geological features encountered at these existing gold deposits.

The Mishibishu Property covers a 10 km strike length of the Mishi Creek Deformation Zone and a 3 km strike length of the Rook Lake Deformation Zone. Both deformation zones trend EW to NW, dip steeply towards the north, and locally exceed one (1) km in width. Both shear zones are intruded by small and deformed, intermediate to felsic intrusions similar to the intrusion that hosts the Eagle River Deposit.

The Rook Lake Deformation Zone remains virtually unexplored, whereas the Michi Creek Deformation Zone is characterized by extensive gold in soil anomalies of Au >10 ppb and by more than 50 bedrock gold occurrences grading Au >1 g/t. Bedrock gold occurrences include the **Dorset** (just north of the property boundary) and the **Martin Zones** (at the heart of the property). Drilling and trenching at the Martin Zone uncovered significant gold mineralisation over a strike length of 300m (drill intercept of up to 5.05 g/t Au over 7.45 m). The Dorset Zone has a strike length of 2 km with the best drill results at: 3.74 g/t Au over a true width of 21.53 m, 3.02 g/t Au over 5.92 m, and 5.23 g/t Au over 3.70 m in three separate drill holes. Although the Dorset Zone lies just outside of the property boundaries, its east and west strike extensions lie within the property.

THE MOUNT PLEASANT PROPERTY (NEW BRUNSWICK):

The Mount Pleasant Property consists of 67 contiguous claims (1072 hectares) wholly-owned by Murgor Resources. The property is located in southwestern New Brunswick, approximately 70 km south of the city of Fredericton and 60 km west of the city of Saint John (NB).

The Mount Pleasant property is also located approximately 10 km east of the Clarence Stream Deposit. Here, ever-increasing reserves (uncut, drill indicated) currently stand at 454 000 tonnes at a grade of 8.84 g/t Au in the Central-Zone, and 430 000 tonnes at a grade of 4.0 g/t Au and 1.8% Sb in the AD-Zone.

At the Clarence Stream Deposit a number of high grade auriferous zones have been defined within a 10 km² area along a NW-trending corridor in Ordovician and Silurian sediments, within and adjacent to the thermal contact metamorphic aureole of the Saint-George Batholith. At Clarence Stream, the auriferous zones consist of quartz-stockwork and quartz-veins, believed to be intrusion-related (with the Magaguadavic Granite, a part of the composite St-George Batholith) with a strong structural control. The Clarence Stream Deposit was discovered largely on the basis of stream sediment and soil geochemical anomalies in gold, antimony and arsenic.

Murgor's Mount Pleasant Property displays all the favorable geological characteristics as the Clarence Stream Deposit area. The Mount Pleasant claims sit on the same rock type, within the thermal contact metamorphic aureole of the Saint-George Batholith. Furthermore, a 4.5 km² dilational jog is located at the heart of the Mount Pleasant property (a dilational jog is a fault-bounded area of low pressure, where mineralizing fluids are drawn while the faults are active). The dilational jog is defined by the, NW-trending McDougall Lake and Oxbow Brook Faults. Within the dilational jog, Billiton outlined a large Zn-Bi-Sn-W soil geochemical anomaly (Billiton did not analyze for gold at the time). Elsewhere on the property, a very limited amount of fieldwork by Murgor has outlined anomalous values of arsenic, antimony and gold in stream sediment, soil and vegetation samples.

As exploration progresses on these high potential properties, Murgor is confident that investors will see a long awaited increase in share value. Thank you for your confidence.

Respectfully Submitted,

(Signed: André C. Tessier, P.Eng, P.Geol)

President and CEO

September 1, 2003

*An additional 61 claims are at the approval stages at the M.E.R.Q.

Management Discussion and Analysis of Operating Results and Financial Condition

Due to the recent market conditions and the value of Murgor shares, management was of the opinion that raising private equity financing in order to support exploration expenditures was not cost effective during the 2003 fiscal year and the Corporation did not complete any private equity financings as compared to 2,700,000 common shares for a total consideration of \$270,000 in 2002. For the year ending April 30, 2003, the Corporation incurred \$237,708 in exploration expenditures (\$68,227 in 2002). The Corporation did not issue any shares in 2003 on the acquisition of mining properties as compared to 400,000 common shares for a value of \$45,000 in 2002.

During the year, the Corporation reported a net loss of \$209,855, compared to a net loss of \$257,941 in 2002. Net loss for the year includes a write-off due to abandonment of properties of \$112,946 (\$100,461 in 2002). Expenses excluding the write-off due to abandonment of properties totalled \$97,032 in 2003 as compared to \$160,569 in 2002.

At year-end, the Corporation maintained a cash and cash equivalent position of \$3,688 (\$240,284 in 2002). The Corporation has no long term debt. Management is of the opinion that the current cash position is sufficient to meet current commitments. Full development of some of the mineral properties would require substantially more financial resources. Traditionally, the Corporation has been able to rely on its ability to raise financing in public or privately negotiated equity offerings. The Corporation may also advance the development of mineral properties through joint-venture participation.

Management's Responsibility for Financial Reporting

Management is responsible for the preparation of the financial statements and other financial information relating to the Corporation included in this annual report. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on estimates and judgements of management.

Wasserman, Stotland, Bratt, Grossbaum, our independent auditors, are engaged to express a professional opinion on the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures which allow the auditors to report whether the financial statements prepared by management are presented fairly and in accordance with Canadian generally accepted accounting principles.

The Board of Directors must ensure that management fulfils its responsibilities for financial reporting. In furtherance of the foregoing, the Board of Directors has appointed an Audit Committee composed of three directors, two of whom are not members of management. The Audit Committee meets with the independent auditors to discuss the results of their audit and their audit report prior to submitting the financial statements to the Board of Directors for its consideration and approval for issuance to shareholders. On the recommendation of the Audit Committee, the Board of Directors has approved the Corporation's financial statements.

(Signed: André C. Tessier, P.Eng, P.Geol)
President

(Signed: W. Michael Atkins)
Director

Auditors' Report

To the Shareholders of,
Murgor Resources Inc.

We have audited the balance sheets of **Murgor Resources Inc.** as at April 30, 2003 and April 30, 2002 and the statements of operations and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the corporation'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 positions of the corporation as at April 30, 2003 and April 30, 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

(Signed: Wasserman Stotland Bratt Grossbaum)
Montreal, Quebec.
August 27, 2003.

MURGOR RESOURCES INC.

Balance Sheets

As at April 30, 2003

	2003	2002
	\$	\$
Assets		
Current assets		
Cash	3,688	115,740
Cash held for exploration work	-	124,544
Marketable securities	2,000	2,750
Accounts receivable	4,862	5,857
Prepaid expenses	3,192	3,579
	13,742	252,470
Mining properties and deferred costs (note 3)	5,479,081	5,352,201
	5,492,823	5,604,671
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	61,746	64,327
Due to related corporations (note 5)	154,885	71,028
Due to directors (note 5)	27,277	7,875
	243,908	143,230
Shareholders' equity		
Capital stock (note 4)	11,100,043	11,100,043
Deficit	(5,851,128)	(5,638,602)
	5,248,915	5,461,441
	5,492,823	5,604,671

See accompanying notes to financial statements.

Approved on Behalf of the Board:

(Signed: W. Michael Atkins).....Director

(Signed: Mark Schneiderman)Director

MURGOR RESOURCES INC.
Statements of Operations and Deficit
Year Ended April 30, 2003

	2003	2002
	\$	\$
Revenue		
Interest income	123	3,089
Expenses		
Professional and accounting fees	14,009	33,570
Administration expenses and other	53,533	86,405
Filing costs and shareholders' information	26,286	34,625
Interest expenses	2,454	719
Write-off due to abandonment of properties	112,946	100,461
Loss due to write-down of marketable securities	750	5,250
	209,978	261,030
Net loss for the year	(209,855)	(257,941)
Deficit - beginning of year	(5,638,602)	(5,358,989)
Issue costs	(2,671)	(21,672)
Deficit - end of year	(5,851,128)	(5,638,602)
Loss per share	(0.0080)	(0.0106)
Weighted average number of outstanding shares	26,359,950	24,255,899

See accompanying notes to financial statements.

MURGOR RESOURCES INC.

Statements of Cash Flows

Year Ended April 30, 2003

	2003	2002
	\$	\$
Cash flows from operating activities		
Net loss	(209,855)	(257,941)
Adjustments for:		
Write-off due to abandonment of properties	112,946	100,461
Loss due to write-down of marketable securities	750	5,250
Loss on sale of marketable securities	-	632
	(96,159)	(151,598)
Changes in non-cash components of working capital (note 6(b))	102,060	166,558
Cash flows from operating activities	5,901	14,960
Cash flows used in investing activities		
Mining claims acquired (note 6(c))	(24,318)	(28,046)
Exploration expenditures deferred	(237,708)	(68,227)
Proceeds from disposition of claims	22,200	34,000
Cash flows used in investing activities	(239,826)	(62,273)
Cash flows from (used in) financing activities		
Common shares issued	-	270,000
Issue costs	(2,671)	(21,672)
Cash flows from (used in) financing activities	(2,671)	248,328
Increase (decrease) in cash and cash equivalents	(236,596)	201,015
Cash and cash equivalents - beginning of year	240,284	39,269
Cash and cash equivalents		
- end of year (note 6(a))	3,688	240,284

"Cash and cash equivalents" are composed of cash and cash held for exploration work.

See accompanying notes to financial statements.

MURGOR RESOURCES INC.
Statements of Mining Properties and Deferred Costs
Year Ended April 30, 2003

	2003	2002
	\$	\$
Balance - beginning of year	5,352,201	5,345,389
Expenditures incurred during the year		
Geophysical	20,040	-
Geochemical	1,023	3,090
Geological	30,146	28,590
Technical consulting	18,243	9,057
Prospecting	4,827	3,334
Showing	15,540	-
Line cutting	7,350	1,627
Airborne surveys	79,807	6,250
Stripping	32,326	-
Road access	11,918	-
Administration of claims	16,487	16,279
	237,707	68,227
Mining properties	2,119	39,046
Write-off due to abandonment of properties	(112,946)	(100,461)
	126,880	6,812
Balance - end of year	5,479,081	5,352,201

See accompanying notes to financial statements.

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

1. Nature of operations

The Corporation is in the process of exploring its mining properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mining properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mining claims, the ability of the Corporation to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a going concern basis, which presumes the corporation will be able to continue its operations and realize its assets and discharge its liabilities in the normal course of business in the foreseeable future, which will require further financing.

2. Significant accounting policies

Mining properties and deferred costs

The costs of mining properties and deferred costs are capitalized until the results of the projects are known. If a project is successful, the related expenditures will be amortized over a period of years pro-rata to anticipated income. If a project is abandoned, the related expenditures will be written off. A sale of an interest in claims is credited directly to expenditures until such time as all related expenditures are recovered. Direct costs incurred to maintain claims are capitalized.

Financial instruments

The fair value of all of the Corporation's financial instruments approximates the carrying value unless otherwise noted. Cash, cash held for exploration work, accounts receivable and accounts payable and accrued liabilities are non-interest bearing.

Marketable securities

Marketable securities are carried at the lower of cost and market. As at April 30, 2003, market value was \$2,000. (April 30, 2002 - \$2,750).

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

2. Significant accounting policies (cont'd.)

Share option plan

No compensation expense is recognized under this plan when share options are issued to senior executives, directors, employees and consultants. Shares issued under the plan are recorded at the exercise price.

Loss per share

The Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) for the calculation of earnings per share. Basic per share amounts are calculated using the weighted number of shares outstanding for the period. Under this new standard, the treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. The new recommendations have no effect on the current period or prior period's calculations as any exercise of options would have been anti-dilutive.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

3. Mining properties and deferred costs

The Corporation currently maintains the following mining properties:

	April 30, 2002	Expenditures	(Write-off or Disposal)	April 30, 2003
	\$	\$	\$	\$
Quebec				
Fancamp Township				
Acquisition	32,063	1,056	-	33,119
Exploration	1,529,520	-	-	1,529,520
Benoist Township				
Acquisition	29,192	968	-	30,160
Exploration	849,593	-	-	849,593
Barry Township				
Acquisition	471,054	4,454	-	475,508
Exploration	1,528,915	15,213	-	1,544,128
Urban Township				
Acquisition	67,239	3,388	-	70,627
Exploration	418,635	2,100	-	420,735
La Treve				
Acquisition	123,444	4,949	-	128,393
Exploration	109,601	107,630	-	217,231
Others				
Acquisition	7,695	2,310	(396)	9,609
Exploration	18,616	12,657	(7,227)	24,046
	5,185,567	154,725	(7,623)	5,332,669

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

3. Mining properties and deferred costs (cont'd.)

	April 30, 2002	Expenditures	(Write-off or Disposal)	April 30, 2003
	\$	\$	\$	\$
<u>Ontario</u>				
Mishibishu Township				
Acquisition	67,641	59	-	67,700
Exploration	41,220	2,250	-	43,470
Marion Township				
Acquisition	20,000	2,203	(22,203)	-
Exploration	9,053	84,998	(94,051)	-
Zigzag Lake				
Acquisition	-	91	(91)	-
Exploration	-	-	-	-
Other				
Acquisition	-	-	-	-
Exploration	-	5,678	(5,678)	-
	137,914	95,279	(122,023)	111,170
<u>New Brunswick</u>				
Mount Pleasant				
Acquisition	7,214	595	-	7,809
Exploration	20,800	1,251	-	22,051
Other				
Acquisition	706	4,245	-	4,951
Exploration	-	5,931	(5,500)	431
	28,720	12,022	(5,500)	35,242
Canadian Properties	5,352,201	262,026	(135,146)	5,479,081

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

3. Mining properties and deferred costs (cont'd.)

Fancamp Township, Quebec

The Corporation owns 100% interest in 50 mining claims located in Fancamp Township, Quebec.

Benoist Township, Quebec

The Corporation and Freewest Resources Canada Inc. jointly own (50-50) a 100% interest in 92 mining claims located in Benoist Township, Quebec. Of these mining claims, 3 are subject to a 1% net smelter return royalty and 25 are subject to a 1½% net smelter return royalty.

Barry Township, Quebec

The Corporation owns 100% interest in 14 mining claims in Barry Township property in the Quevillon - Chibougamau area of north western Quebec.

The Corporation and Freewest Resources Canada Inc. jointly own (50-50) a 100% interest in 76 mining claims of which 35 mining claims were acquired from Jacques Duval; and also jointly own (50-50) a 100% interest in 62 mining claims in Barry and Urban Townships.

These claims are subject to a 2% net smelter return royalty, with a buy back of 1% for \$500,000.

The Corporation and Freewest Resources Canada Inc. have formed a 50-50 joint venture to earn a 60% interest in 18 claims, owned by Orient Resources Inc.. To earn a 60% interest in the claims, the joint venture partners made a cash payment of \$10,000, issued 75,000 Freewest shares and must incur \$250,000 of exploration expenditures on or before January 25, 2002. As at April 30, 2003, the joint venture partners have spent \$44,865 on exploration work. To earn its 30% interest in the property held jointly with Freewest Resources Canada Inc., the Corporation commits to half of the work expenditures, half of the cash paid and to half of the value of the treasury shares issued. These claims are subject to a 1% net smelter return royalty. The Corporation has not met its January 25, 2002 commitments; however, it has not received any notification in this respect.

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

3. Mining properties and deferred costs (cont'd.)

Barry Township, Quebec (cont'd.)

The Corporation and Freewest Resources Canada Inc. have formed a 50-50 joint venture to earn a 50% undivided interest in 36 mining claims owned by Société Minière Mazarin Inc.. To earn a 50% undivided interest in the claims, the joint venture partners issued 41,406 Murgor shares as well as 24,766 Freewest shares, must issue 41,406 additional Murgor shares and 24,766 additional Freewest shares and incur \$150,000 on exploration work on or before April 23, 2000. As at April 30, 2003, the joint venture partners have spent \$89,235 on exploration work. These claims are subject to a 1½% net smelter return royalty. The Corporation has not met its April 23, 2000 commitments; however, it has not received any notification in this respect.

Urban Township, Quebec

The Corporation and Freewest Resources Canada Inc. jointly own (50-50) a 100% interest in 260 mining claims of which 178 mining claims are subject to a 2% net smelter return royalty, half of which may be bought back for \$500,000.

La Treve Properties, Quebec

The Corporation has an option to earn a 100% interest in 100 mining claims of La Treve I property from Jacques Duval in exchange for cash payments of \$200,000 and issuance of 600,000 Murgor shares by 2005. These claims are subject to a 2½% net smelter return royalty, with a buy back of 1% for \$1,000,000.

On July 9, 2001, an addendum to the agreement dated July 26, 2000 was modified to read that the interest in the claims shall be subject to a 2½% net smelter return royalty, with an option to buy back at any time up to 2% of the net smelter return in consideration of payments of \$500,000 for each 0.5% of the net smelter return to be purchased. The Corporation has not met its July 26, 2002 commitments; however, it has not received any notification in this respect.

The Corporation has an option to earn a 100% interest in 50 mining claims of the La Treve II property from Explorations Carat Inc. in exchange for cash payments of \$100,000 and issuance of 100,000 Murgor shares by 2003. These claims are subject to a 2½% net smelter return royalty, with a buy back of 1% for \$500,000. The Corporation has not met its August 1, 2002 commitments; however, it has not received any notification in this respect.

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

3. Mining properties and deferred costs (cont'd.)

La Treve Properties, Quebec (cont'd.)

In January 2001, the Corporation and Freewest Resources Canada Inc. entered into a 50-50 joint-venture on 50 map-designated mining claims of the La Treve III property in the Chapais area of Northwestern Quebec.

The Corporation and Freewest Resources Canada Inc. have formed a 50-50 joint venture to earn a 100% interest in 75 mining claims located in the Guettard, Berey, Daine and Lantagnac Townships, Quebec, owned by Les Explorations Carat Inc. To earn a 100% interest in the claims, Freewest Resources Inc. must make total cash payments of \$165,000 and Murgor Resources must issue 400,000 shares by 2005. These claims are subject to a 2½% net smelter return royalty, with an option to purchase, at any time, up to 1½% net smelter return in consideration of payments of \$500,000 for each 0.5%, for the total sum of \$1,500,000. The Corporation and Freewest Resources Canada Inc. have not met their April 5, 2003 commitments; however, they have not received any notification in this respect.

Lac Coulomb, Quebec

The Corporation acquired a 50% interest in 20 mining claims of the Lac Coulomb I property, in the area of Lac Coulomb, Quebec from Fancamp Exploration Ltd., in exchange for a cash payment of \$5,000 and incurring \$10,000 in exploration work.

Mishibishu Township, Ontario

The Corporation acquired a 100% interest in 64 mining claim units from Audrey Elizabeth Traverse in exchange for cash payments of \$70,000 and issuance of 80,000 Murgor shares. These claims are subject to a 2% net smelter return royalty, half of which may be bought back for \$500,000.

The Corporation acquired a 100% interest in 56 mining claim units from Jeff Pinksen in exchange for cash payments of \$16,000 and issuance of 80,000 Murgor shares. These claim units are subject to a 2% net smelter return royalty, half of which may be bought back for \$1,000,000.

The Corporation and Huntington (Goldust Mines Ltd.) jointly own (50-50) a 100% interest in 1 mining claim unit.

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

3. Mining properties and deferred costs (cont'd.)

Mount Pleasant, New Brunswick

The Corporation owns a 100% interest in 67 mining claims in the Mount Pleasant area of New Brunswick.

4. Capital stock

(a) The authorized and issued capital stock of the Corporation consists of the following:

Authorized: An unlimited number of common shares

	2 0 0 3		2 0 0 2	
	\$	#	\$	#
Issued	11,100,043	26,381,868	11,090,043	26,281,868
Allotted	-	-	10,000	100,000 ⁽¹⁾
	11,100,043	26,381,868	11,100,043	26,381,868

67,500 of the issued shares are subject to escrow conditions.

⁽¹⁾ 100,000 shares were allotted to be issued in respect of mining property agreement.

During the year, the Corporation entered into the underlying share capital transactions:

	2 0 0 3		2 0 0 2	
	\$	#	\$	#
Issuance of shares on acquisition of mining properties	-	-	45,000	400,000
Issuance of shares under flow-through agreements	-	-	170,000	1,700,000
Issuance of shares for cash	-	-	100,000	1,000,000
	-	-	315,000	3,100,000

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

4. Capital stock (cont'd.)

(b) Stock option plan

In September 1996, the Corporation adopted a stock option plan which allows eligible individuals to purchase the Corporation's common shares at not less than the closing price on the trading day immediately preceding the day the option is granted. The options granted are not transferable and must be exercised no later than ten years after the date of grant. Unexercised options are cancelled upon the termination of employment or services. In March 1999, the Corporation increased the number of shares available from 3,474,940 to 4,998,446 and in October 2002 from 4,998,446 to 5,276,374 for issuance under the stock option plan. A total of 3,936,593 options had been granted at exercise prices ranging from \$0.12 to \$0.16 per share.

On January 31, 2002, 1,265,000 stock options were re-priced at an exercise price of \$0.12 per share which were originally granted at exercise prices ranging from \$0.25 to \$0.40 per share.

Summary of changes during 2002 and 2003 are as follows:

	Number of Options	Weighted Average Exercise Price
	<u>#</u>	<u>\$</u>
BALANCE – APRIL 30, 2001	4,170,000	0.15
Cancelled/expired	(1,435,000)	0.24
Granted	480,000	0.12
<hr/>		
BALANCE – APRIL 30, 2002	3,215,000	0.14
Cancelled	(238,407)	0.14
Granted	960,000	0.14
<hr/>		
BALANCE - APRIL 30, 2003	3,936,593	0.14

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

4. Capital stock (cont'd.)

Options

	Number of Common <u>Shares</u> #	Exercise <u>Price</u> \$	<u>Expiry Date</u>
Senior Executives, Directors and Employees	100,000	0.16	December 22, 2005
	480,000	0.12	January 31, 2007
	150,000	0.12	May 10, 2007
	601,593	0.14	May 29, 2007
	210,000	0.12	July 30, 2007
	910,000	0.12	September 2, 2008
	60,000	0.15	December 17, 2009
	970,000	0.15	July 18, 2010
	330,000	0.16	December 22, 2010
Consultants	25,000	0.12	September 2, 2008
	100,000	0.16	December 22, 2005

(c) Warrants

	Number of Common <u>Shares</u> #	Exercise <u>Price</u> \$	<u>Expiry Date</u>
Flow-through and common shareholders	1,000,000	0.15	June 19, 2003 (expired)
	1,700,000	0.15	June 23, 2003 (expired)

5. Related party transactions

All related party transactions are in normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties.

- (i) Certain directors of the Corporation are also shareholders and directors of related corporations. The related corporations charged an aggregate amount of \$57,255 (2002 - \$88,706) for administrative costs and services, shared office expenses and exploration expenditures.

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

5. Related party transactions (cont'd.)

- (ii) Due to (from) related corporations significantly represent the net amount of charges for shared office and related expenses, as well as joint venture exploration expenditures between Murgor Resources Inc. and Freewest Resources Canada Inc..

Three directors and shareholders of the Corporation are also directors, officers and shareholders of Freewest Resources Canada Inc..

- (iii) Amounts due to (from) related parties are non-interest bearing with no specific terms of repayment.

- (iv) \$17,500 represents the remuneration to the President/geologist.

6. Statements of cash flows

(a) Cash and cash equivalents

The cash and cash equivalents include cash on hand, bank balances and term deposit with maturity of three months or less.

(b) Non-cash components of working capital

Non-cash components of working capital are as follows:

	2003	2002
	\$	\$
Decrease (increase) of:		
Marketable securities	-	66,368
Accounts receivable	995	10,992
Due from related corporations	-	74,412
Prepaid expenses	387	(1,922)
	1,382	149,850
(Decrease) increase of:		
Accounts payable and accrued liabilities	(2,581)	15,983
Due to related corporations	83,857	-
Due to director	19,402	725
	102,060	166,558

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

6. Statements of cash flows (cont'd.)

	2003	2002
	\$	\$
(c) Mining Properties and Deferred Costs		
Total increase in mining properties	2,118	39,046
Acquired by issuance of shares	-	(35,000)
Shares to be issued	-	(10,000)
Proceeds from disposition of mining claims	22,200	34,000
	24,318	28,046

7. Joint ventures

Certain of the Corporation's exploration and development activities are being explored with partners pursuant to joint venture agreements. The Corporation's pro-rata share of the accounts of the joint venture, which has been included in the financial statements of the Corporation is as follows:

	2003	2002
	\$	\$
Net assets		
Mining properties and deferred costs	2,346,427	2,244,680
Cash flows		
Cash flows used for mining properties and deferred costs	101,746	7,972

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

8. Income taxes

Future tax balances

(a) The future income tax balances are summarized as follows:

	2003	2002
	\$	\$
Current future income tax assets		
Non-capital losses	125,000	108,000
Share issue costs	9,400	16,000
	134,400	124,000
Valuation allowance	(134,400)	(124,000)
Current future income tax assets	-	-
Long-term future income tax assets		
Mining assets and deferred exploration expenses	1,271,000	1,307,000
Non-capital losses	484,000	603,000
Share issue costs	12,000	22,000
	1,767,000	1,932,000
Valuation allowance	(1,767,000)	(1,932,000)
Long-term future income tax assets	-	-
Total future income tax assets	-	-

(b) Tax loss carryforwards

At April 30, 2003 the Corporation had losses carry-forward of \$1,521,530 available to reduce future years' taxable income. These losses expire as follows:

2004	\$	312,474
2005		253,594
2006		251,709
2007		196,688
2008		199,301
2009		188,148
2010		119,616
	\$	1,521,530

Potential tax savings resulting from the application of the benefits have not been reflected in the financial statements.

MURGOR RESOURCES INC.

Notes to Financial Statements

Year Ended April 30, 2003

9. Subsequent events

- (a) On May 28, 2003, the Corporation issued 200,000 shares as consideration for amount due to a director, in the amount of \$20,000.
- (b) On July 3, 2003, 156 of the 260 mining claims on the Urban Township (Quebec) Property were converted to 68 “designated” claims to allow for map staking, resulting in changes to the shapes and areas of the individual claims. Consequently, the Corporation and Freewest Resources Canada Inc. jointly own (50–50) a 100% interest in 201 mining claims of which 107 are subject to a 2% net smelter return royalty, half of which may be bought back for \$500,000.

BOARD OF DIRECTORS

W. Michael Atkins
Mark Schneiderman CFE,CA
André C. Tessier P. Eng, P. Geol
Mackenzie I. Watson P. Eng
Robert Weicker P. Geol

OFFICERS

W. Michael Atkins
Chairman of the Board

André C. Tessier P. Eng, P. Geol
President and CEO

Mark Schneiderman CFE,CA
Secretary-Treasurer

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INCORPORATION

Continued under the
Canada Business Corporations Act
September 21, 1989

EXCHANGE LISTING

TSX Venture Exchange
Symbol : MUG

CAPITAL STOCK

Authorized

Unlimited

Issued

26,361,868 (April 30, 2003)

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AUDITORS

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REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
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Montreal, Quebec
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ANNUAL MEETING

Thursday, October 30, 2003 at 10:30 a.m.
Maisonneuve C Room
Marriot Chateau Champlain
1 Place du Canada
Montreal, Quebec
H3B 4C9