

Auditors' Report and Financial Statements of

MANELE BAY VENTURES INC.

January 31, 2003 and 2002

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**Deloitte
& Touche**

Auditors' Report

To the Shareholders of
Manele Bay Ventures Inc.

We have audited the balance sheets of Manele Bay Ventures Inc. as at January 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 January 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.

(Signed) Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
March 14, 2003

**Deloitte
Touche
Tohmatsu**

MANELE BAY VENTURES INC.

Balance Sheets

January 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT		
Cash	\$ 8,651	\$ -
Restricted cash (Note 6 (b))	-	20,000
Amounts receivable	7,319	1,933
	<u>15,970</u>	<u>21,933</u>
DEFERRED EXPLORATION COSTS (Note 3)	38,339	-
DEPOSIT (Note 3)	141,012	-
INVESTMENT (Note 4)	1	1
	<u>\$ 195,322</u>	<u>\$ 21,934</u>
LIABILITIES		
CURRENT		
Bank indebtedness	\$ -	\$ 1,777
Accounts payable and accrued liabilities	20,122	48,847
Loans payable (Note 5)	-	5,000
	<u>20,122</u>	<u>55,624</u>
SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)		
Contributed surplus	6,096	-
Share subscriptions (Note 6)	-	20,000
Common shares (Note 6)	8,628,472	8,238,472
Treasury stock (Note 6)	(40,928)	(40,928)
Deficit	(8,418,440)	(8,251,234)
	<u>175,200</u>	<u>(33,690)</u>
	<u>\$ 195,322</u>	<u>\$ 21,934</u>

CONTINUING OPERATIONS (Note 1)

APPROVED BY THE BOARD:

(Signed) Dr. Peter J. Guest

Dr. Peter J. Guest, Director

(Signed) Cameron White

Cameron White, Director

See accompanying Notes to the Financial Statements.

MANELE BAY VENTURES INC.
Statements of Loss and Deficit
Years ended January 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
EXPENSES AND OTHER		
Accounting and audit	\$ 7,084	\$ 28,391
Insurance	-	41,065
Legal	30,436	33,273
Office	41,107	30,587
Project investigation fees	9,260	-
Wages, benefits and consulting	80,096	37,859
Rent recovery	-	(7,765)
Interest income	(777)	-
	<u>167,206</u>	<u>163,410</u>
NET LOSS FOR THE YEAR	(167,206)	(163,410)
DEFICIT, BEGINNING OF YEAR	(8,251,234)	(8,087,824)
DEFICIT, END OF YEAR	<u>\$ (8,418,440)</u>	<u>\$ (8,251,234)</u>
Basic and diluted loss per common share	\$ (0.06)	\$ (0.10)
Weighted-average number of shares outstanding	<u>2,917,003</u>	<u>1,584,405</u>

See accompanying Notes to the Financial Statements.

MANELE BAY VENTURES INC.

Statements of Cash Flows

Years ended January 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
OPERATING ACTIVITIES		
Net loss	\$ (167,206)	\$ (163,410)
Item not involving cash:		
Non-cash stock-based compensation	6,096	-
Changes in non-cash operating assets and liabilities		
Amounts receivable	(5,386)	25,227
Accounts payable and accrued liabilities	(28,725)	(2,190)
	<u>(195,221)</u>	<u>(140,373)</u>
FINANCING ACTIVITIES		
Issue of shares for cash	390,000	-
Loans payable	(5,000)	5,000
	<u>385,000</u>	<u>5,000</u>
INVESTING ACTIVITIES		
Reclamation deposit	(141,012)	-
Deferred exploration costs	(38,339)	-
	<u>(179,351)</u>	<u>-</u>
NET CASH INFLOW (OUTFLOW)	10,428	(135,373)
(BANK INDEBTEDNESS) CASH, BEGINNING OF YEAR	(1,777)	133,596
CASH (BANK INDEBTEDNESS), END OF YEAR	\$ 8,651	\$ (1,777)

See accompanying Notes to the Financial Statements.

MANELE BAY VENTURES INC.

Notes to the Financial Statements

Year ended January 31, 2003

1. CONTINUING OPERATIONS

The Company has interests in mining assets at the exploration stage, the economic viability of which have not been assessed. The realization of the Company's investment in mineral properties is dependent upon various factors, including the existence of economically recoverable mineral reserves, the ability to obtain the necessary financing to complete the exploration and development of the properties, future profitable operations, or, alternatively, upon disposal of the investment on an advantageous basis.

These financial statements have been prepared in accordance with Canadian 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 a deficit of \$8,418,440 (2002 - \$8,251,234). Realization values of assets may be substantially different from the carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant policies outlined below.

(a) *Foreign exchange*

On November 1, 2001, the Company adopted the Canadian dollar as its currency of measurement. The accounts of the Company are expressed in Canadian dollars. Foreign currency monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Other balance sheet items were translated into Canadian dollars at the exchange rate in effect on November 1, 2001. Foreign currency expenses translated at the rates prevailing on the respective transaction dates. Translation gains and losses relating to monetary items are included in operations.

(b) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and for the periods presented. Estimates are used for, but not limited to, accounting for doubtful accounts, income taxes, the carrying value of long-lived assets, and contingencies. Actual results may differ from those estimates.

(c) *Mining properties and deferred exploration costs*

Costs of acquiring mining properties and all exploration costs less related recoveries are capitalized.

MANELE BAY VENTURES INC.
Notes to the Financial Statements
Year ended January 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) *Mining properties and deferred exploration costs (continued)*

The costs of properties, which are abandoned or impaired in value, are written down in the year of abandonment or impairment. Upon commencement of commercial production, all related deferred acquisition, exploration and development expenditures will be amortized and matched with future revenues.

The amounts capitalized represents costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular properties.

(d) *Stock options*

As of February 1, 2002, the Company adopted the standard in Section 3870, *Stock-based Compensation and Other Stock-based Payments*, of the Canadian Institute of Chartered Accountants Handbook to be applied prospectively. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method. The standard encourages the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a company has the ability to settle in cash are recorded as liabilities. For stock options granted to employees, the Company has adopted the disclosure-only provisions of the new standard whereby pro forma net income and pro forma earnings per share are disclosed in Note 6 to the financial statements as if the fair value based method of accounting had been used.

(e) *Share issue costs*

Direct costs relating to the issuance of shares are charged directly to deficit.

(f) *Income (loss) per share*

Income (loss) per share is calculated using the weighted-average number of common shares outstanding during the year. The treasury stock method is used in the calculation of diluted earnings per share. Diluted earnings per share is computed using the weighted-average number of common and common equivalent shares outstanding during the year. Common equivalent shares consist of the incremental common shares exercisable upon the exercise of stock options and are excluded from the computation if their effect is anti-dilutive.

(g) *Comparative figures*

Comparative figures have been reclassified, where applicable, to conform to the current period's presentation.

MANELE BAY VENTURES INC.

Notes to the Financial Statements

Year ended January 31, 2003

3. DEFERRED EXPLORATION COSTS

On November 5, 2002, the Company entered into an agreement with Compass Minerals Ltd., a U.S. subsidiary of Compass Minerals NL, NSW, Australia ("Compass"), whereby the Company has the option to acquire up to a 60% interest in the Worldbeater Gold Project. The Worldbeater Gold Project is located in the Panamint Ranges, near Ballarat, Inyo County California. The Company can earn a 30% interest by carrying out an exploration program of at least US\$500,000 over the next 12 months. A further 30% interest can be earned by completing a pre-feasibility study on the property by March 31, 2004. Compass could retain the remaining 40% interest as a joint venture partner if Compass elects to contribute to the cost of a bankable feasibility study, otherwise Compass's interest will be converted to a 20% carried interest and the Company will acquire the remaining 20% interest. Costs incurred to January 31, 2003 totaled \$38,339 and comprise costs relating to consulting, travel and professional fees.

The Company has agreed to issue 100,000 shares to Compass upon completion of the pre-feasibility study and a further 100,000 shares upon commencement of commercial production. A further 100,000 shares will be issued as a finder's fee.

As a condition to enter into the agreement with Compass, the Company posted a letter of credit in the amount of U.S.\$90,000 (\$141,012) for which a short-term investment in the same amount is held as collateral.

4. INVESTMENT

On April 28, 2000, the Company sold substantially all of the assets of its wholly-owned subsidiary, Theatre.com Inc., to BroadwayOnline.com, Inc. ("BOL"). As part of the total consideration received from the sale, the Company was issued 1,600 Series A convertible preferred shares of BOL. These shares were recorded at a carrying value of \$1 as the Company's participation in the net equity of BOL is only determinable based on future events, which include future financing entered into by BOL, the financial performance of BOL and ultimately, the sale of the preferred shares.

On January 31, 2001, the Company completed the exchange of its preferred shares in BOL for common shares in Broadway Television Network, Inc. ("BTN"), a Delaware corporation and the corporate parent of BOL. In exchange for the 1,600 Series A convertible preferred shares of BOL, the Company received 469,021 common shares of BTN with a par value of \$0.001 per share.

5. LOANS PAYABLE

Loans payable is due to two directors of the Company. The amounts are due on demand, unsecured and do not bear any interest. These amounts were repaid during 2002.

MANELE BAY VENTURES INC.
Notes to the Financial Statements
Year ended January 31, 2003

6. SHARE CAPITAL

(a) *Authorized*

Unlimited number of common shares with no par value

During 2003, the Company received shareholder and regulatory approval for a three for one share consolidation. As a result, all references to share and per share amounts in prior periods have been retroactively restated to give effect to the consolidation of share capital.

(b) *Issued*

	<u>Common Shares</u>		<u>Treasury Stock</u>	
	<u>Number of Shares</u>	<u>Amount</u>	<u>Number of Shares</u>	<u>Amount</u>
Balance, January 31, 2001 and 2002	1,584,403	\$ 8,238,472	(3,413)	\$ (40,928)
Shares issued for cash				
Private placements	1,666,666	250,000	-	-
Exercise of warrants	466,663	140,000	-	-
Balance, January 31, 2003	3,717,732	\$ 8,628,472	(3,413)	\$ (40,928)

On February 1, 2002, the Company completed a private placement of 466,663 units for gross proceeds of \$70,000, of which \$20,000 had been received prior to January 31, 2002. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional share at a price of \$0.30 per share until February 2003. These warrants were exercised during 2003 for proceeds of \$140,000.

On May 22, 2002, the Company completed a private placement of 1,200,000 units for gross proceeds of \$180,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.21 per share until May 2004 (Note 6 (e)).

(c) *Escrow shares*

As at January 31, 2003, 12,626 (2002 - 12,626) shares are held in escrow and are subject to release determined by regulatory authorities.

MANELE BAY VENTURES INC.
Notes to the Financial Statements
Year ended January 31, 2003

6. SHARE CAPITAL (Continued)

(d) Stock-based compensation plans

The Company has established a Share Option Plan (the “option plan”) which provides for options to purchase common shares to be granted by the Company to directors, officers, employees and consultants of the Company. At the date options are granted, the exercise price for an option shall not be less than the then market price of the common shares of the Company. Options vest over a period of 18 months.

The Company accounts for stock-based compensation awards granted to employees whereby no compensation cost is recognized when their exercise price exceeds or equals the fair value of the Company’s common shares at the date of grant. Accordingly, no compensation cost has been recognized for its fixed stock option plans and its stock purchase plan. During fiscal 2003, the Company granted options having a fair value of \$10,450 to consultants. The compensation cost that has been charged to operations and recorded in equity as contributed surplus in 2003 was \$6,096. The remaining share-based compensation will be recognized in 2004. Had compensation cost for the Company’s stock-based compensation plans for employees and directors been determined based on the fair value at the grant dates for awards under those plans consistent with the fair value based method of accounting for stock-based compensation, the Company’s net loss and loss per share would have been increased to the pro forma amounts indicated below:

	Year ended January 31, 2003
Net loss	
As reported	\$ (167,206)
Pro forma	(194,360)
Basic and diluted loss per share	
As reported	(0.06)
Pro forma	(0.07)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in the year ended January 31, 2003: no dividends are to be paid, expected volatility of 75%; risk-free interest rate of 4.87%; and expected lives of five years. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company’s stock options.

MANELE BAY VENTURES INC.
Notes to the Financial Statements
Year ended January 31, 2003

6. SHARE CAPITAL (Continued)

(d) *Stock-based compensation plans (continued)*

A summary of the status of the Company's stock option plan as of January 31, 2003 and changes during the period ending on those dates is presented below:

Options	January 31, 2003		January 31, 2002	
	Common Shares	Weighted-Average Exercise Price	Common Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	3,333	\$ 7.20	3,333	\$ 7.20
Issued	300,000	0.30	-	-
Cancelled	(3,333)	7.20		
Outstanding at end of period	300,000	\$ 0.30	3,333	\$ 7.20
Exercisable at end of period	150,000	\$ 0.30	3,333	\$ 7.20

The 300,000 stock options outstanding at January 31, 2003 expire in June 2007.

(e) *Share purchase warrants*

During 2003, the Company granted 466,663 share purchase warrants on the issue of 466,663 units (Note 6 (b)). These warrants were exercised during 2003 for total proceeds of \$140,000.

Also in 2003, the Company granted 1,200,000 share purchase warrants on the issue of 1,200,000 units (Note 6 (b)). These 1,200,000 share purchase warrants, where one warrant entitles the holder to acquire one common share of the Company at a price of \$0.21 per share until May 22, 2004, were outstanding at January 31, 2003.

7. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise disclosed include the following:

	2003	2002
Consulting fees paid to directors	\$ 74,000	\$ 37,859
Accounts payable and accrued liabilities due to company controlled by director in common	\$ -	\$ 18,404

MANELE BAY VENTURES INC.
Notes to the Financial Statements
Year ended January 31, 2003

8. FINANCIAL INSTRUMENTS

(a) *Fair value*

The Company has financial instruments which include cash, amounts receivable, accounts payable and accrued liabilities and loans payable. The carrying value of these financial instruments approximates fair value at January 31, 2003 and 2002.

(b) *Price risk*

The Company undertakes transactions denominated in United States dollars and as such is exposed to price risk due to fluctuations in foreign exchange rates. The Company does not use derivative instruments to reduce its exposure.

9. INCOME TAXES

The reported income tax recovery differs from the amount computed by applying the Canadian basic statutory rates to the net results of operations. The reasons for this difference and the related tax effects are as follows:

	<u>2003</u>	<u>2002</u>
Canadian basic statutory tax rate	39.6%	44.6%
Expected income tax recovery	\$ (65,908)	\$ (71,097)
Losses producing no current tax benefit	63,799	71,097
Non-deductible expenses	2,109	-
	<u>\$ -</u>	<u>\$ -</u>

Future income taxes result principally from temporary differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. Significant components of the Company's future tax assets are as follows:

	<u>2003</u>	<u>2002</u>
Future income tax assets		
Tax loss carry forwards	\$ 1,554,476	\$ 1,594,801
Valuation allowance for future income tax assets	(1,554,476)	(1,594,801)
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

Due to the uncertainty surrounding the realization of the future income tax assets in future income tax returns, the Company has a 100% valuation allowance against its future income tax assets. The Company has no future income tax liabilities at January 31, 2003 and 2002.

At January 31, 2003, the Company has approximately \$4.4 million of non-capital losses for tax purposes available at various dates until 2010, to be carried forward and applied against future income for tax purposes. The potential future tax benefits relating to these items have not been reflected in these financial statements.
