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February 25, 2004

Phyllis Beaulieu
Licensing Administrator
Nunavut Water Board
Gjoa Haven, NU X0B 1J0
Phone: (867) 360-6338
Fax: (867) 360-6369
E-mail: licensing@nwb.nunavut.ca

Dear Phyllis,

As per our Nunavut Water Licence **NWB2MUS0305**, please find enclosed the Muskox Intrusion Project 2003 Annual Report.

I trust all is in order. Please do not hesitate to contact me should you have any questions regarding this report.

Regards,

Gary DeSchutter
Senior Project Geologist
Anglo American Exploration (Canada) Ltd.

gdeschutter@angloamerican.ca

Nunavut Water Board Licence # NWB2MUS0305

2003 Annual Report

– Muskox Intrusion Project
Anglo American Exploration (Canada) Ltd.

Introduction

This report summarized the results from the summer 2003 exploration program at the Muskox Intrusion property, western Kitikmeot region, Nunavut Canada. All fieldwork was conducted out of the McGregor Lake exploration camp, located at the north end of McGregor Lake (Figure 2) and the program was operated by Anglo American Exploration (Canada) Ltd. staff and contractors.

Location, Access, Infrastructure and Topography

The centre of the Muskox Intrusion Property is located approximately 500 km NNW of Yellowknife, Northwest Territories and 100 km south of the hamlet of Kugluktuk, Nunavut on the Coronation Gulf (Figure 1) at approximately Longitude -115° 13' 46" and Latitude 66° 52' 54". The property dimensions are approximately 40 km long by an average of 9 km wide and are contained within NTS 1:50,000 sheets 086 O3, 086 J14 and 086 J11.

Access to the property is best gained by fixed wing or rotary aircraft although a number of inhabitants from nearby communities have accessed the camp during the winter by snow machine. Float-equipped fixed wing aircraft service the McGregor Lake camp, located at the extreme north end of McGregor Lake, during the summer, or on ice in winter. Flights typically originate in Yellowknife, and fly directly to camp or shuttle supplies from Kugluktuk. If necessary, supplies and equipment can be flown on larger aircraft to the Kugluktuk airport and then transferred to McGregor Lake Camp by smaller aircraft. The Kugluktuk airstrip is capable of handling aircraft as large as the Hercules, which can also land on McGregor Lake in winter. Kugluktuk is serviced by barge from Hay River twice each summer.

Most of the Muskox Intrusion is located in a low-relief valley, except in the south where the Coppermine River cuts a 200 m deep valley across the property, and in the north where hills rise steeply 200 m above the valley floor. Overall, the elevation ranges from a low of 270 m above sea level at the Coppermine River to 650 m on the highest hill.

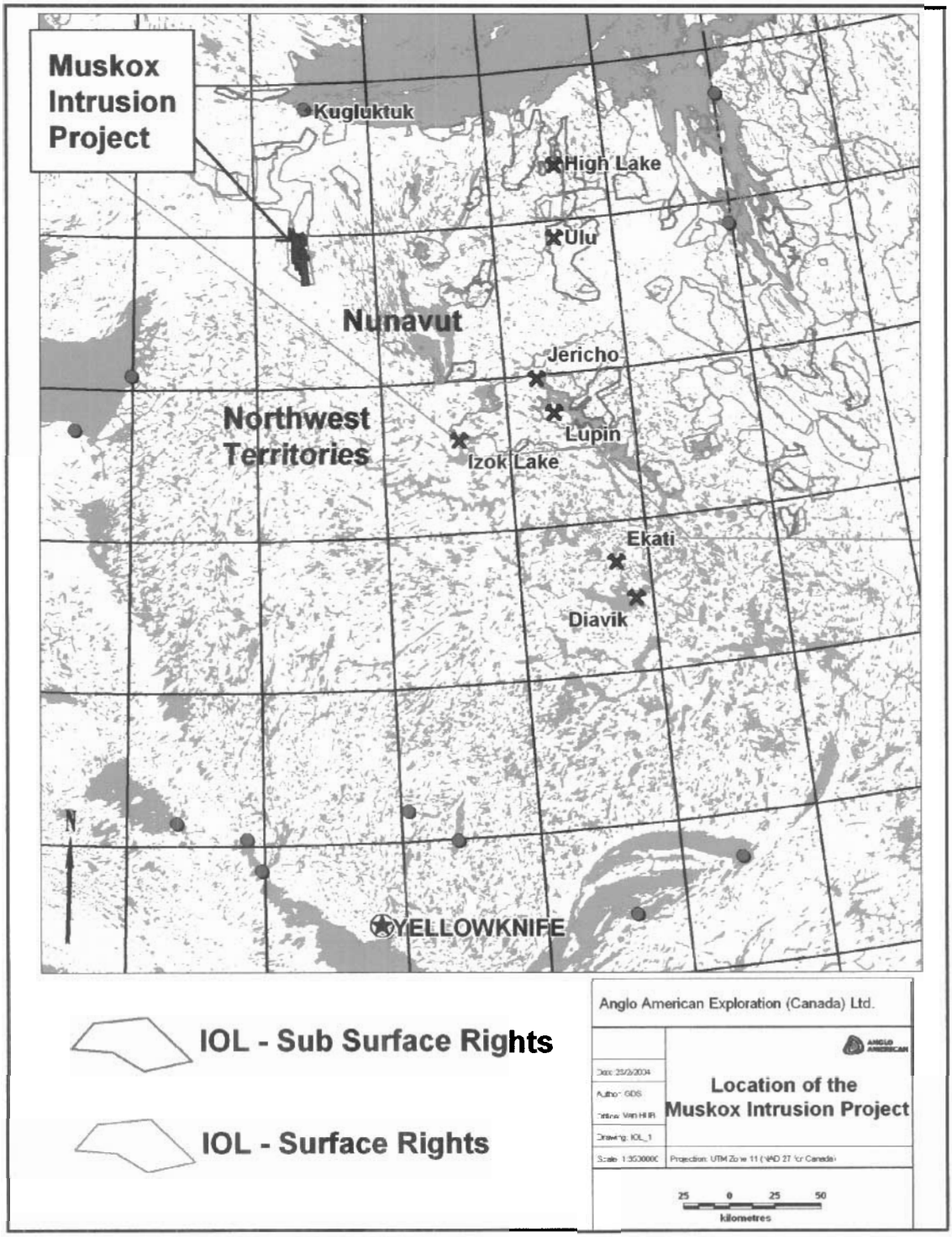


Figure 1. Location of the Muskox Intrusion Property

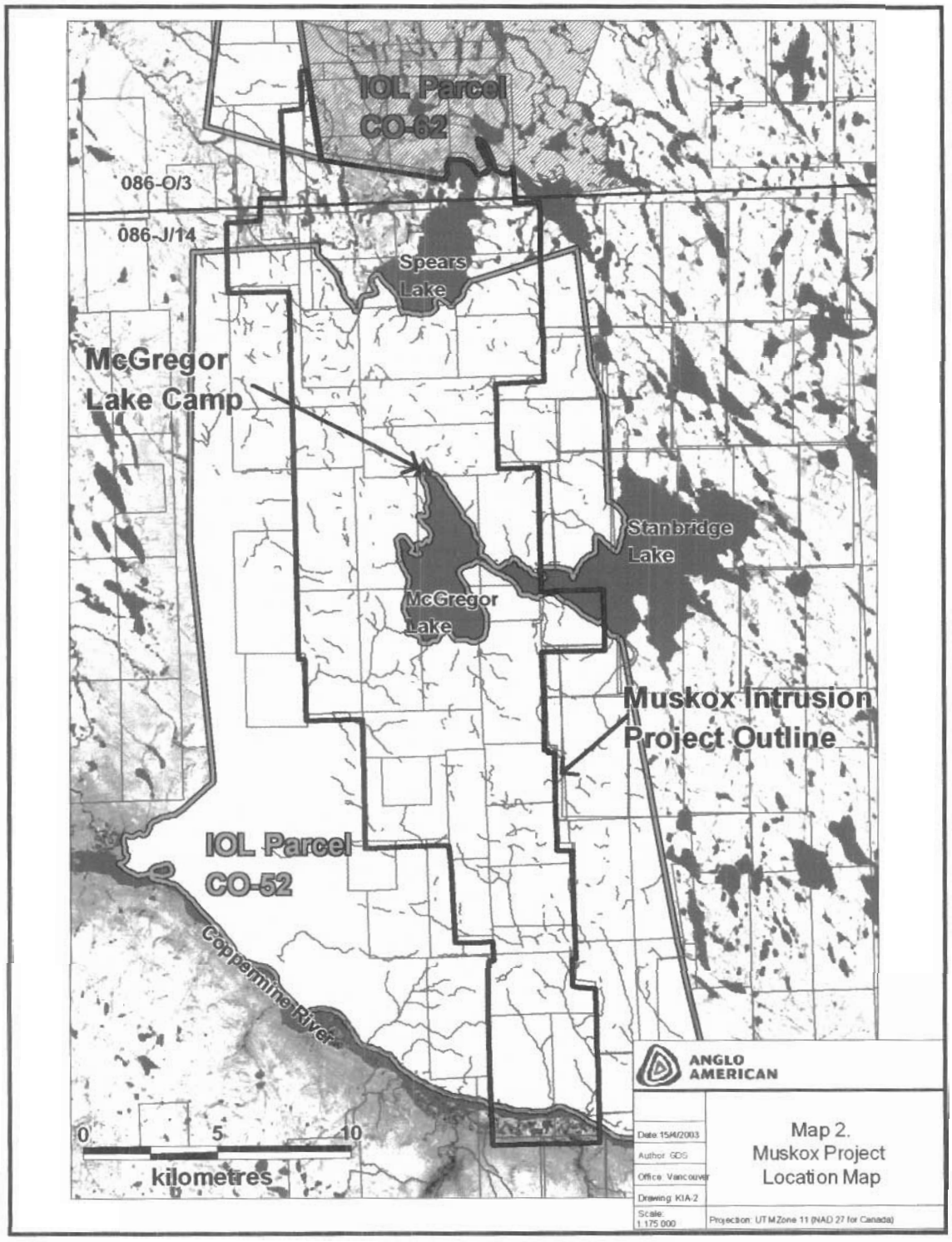


Figure 2. The Muskox Intrusion Property (black outline) with IOL Parcels indicated.

The climate is arctic, with long cold winters (temperatures commonly drop below –40°C) extending from freeze-up in October to break-up in June. Typical tundra vegetation consisting of grasses, willows and alpine plants cover most of the area. Small spruce trees occur in low areas near the Coppermine River. Fauna in the region comprises a number of species including migratory caribou, Grizzly bears, Muskox and wolves along with the ubiquitous sik-sik, lemming and other ground rodents.

Mineral Claims and AAEC-MSK Option and JV Agreement

In late June 2003, Anglo American Exploration (Canada) Ltd. (AAEC) and Muskox Minerals Corp. (MSK) signed a formal Option and Joint Venture Agreement to explore a portion of MSK's Muskox Intrusion property for nickel, copper and platinum group metals. The exploration property comprises 42 contiguous claims (26,868 hectares) and overlies the central portion of the Muskox Intrusion proper from the Coppermine River in the south to the northern end of Speers Lake in the north. A listing of the mineral claims included in the Agreement is included below in Table 1.

MSK has granted an option to AAEC, which entitles it to acquire an initial 51% interest in the Property by funding exploration expenditures of Cdn $11.5 million before August 31, 2008. The minimum aggregate yearly expenditures of AAEC's exploration commitment on a yearly basis are:

- $1.2 million by August 31, 2004
- $2.7 million by August 31, 2005
- $5.0 million by August 31, 2006
- $7.8 million by August 31, 2007
- $11.5 million by August 31, 2008

Upon AAEC spending $11.5 million to earn its 51% interest and the formation of the Joint Venture, AAEC may earn an additional 10% interest in the Muskox Intrusion Property by further funding exploration and development work and completing a pre-feasibility study. If AAEC earns the additional 10%, AAEC may,

elect to earn a further 9% interest by initially funding the cost of completing a Feasibility Study. The parties' Joint Venture Interests will then be 70% AAEC and 30% MSK. MSK will be responsible to pay back its original 39% share of the bankable feasibility study. Upon completion of the feasibility study, MSK may elect to permit AAEC to earn an additional 5% interest in the Property by arranging for production financing for both parties.

The vast majority of the property claims are located within Inuit Owned Land surface rights parcels CO-52 and CO-60 with the remainder consisting of crown land (Figure 2).

Table 1. AAEC-MSK Agreement Claim Listing

Claim Number	Claim name	Acreage	Hectares	Date Recorded	Crown/IOL?
F51997	MU 23	1487.57	602.00	23-May-95	IOL
F51998	MU 24	1794.97	726.40	23-May-95	IOL
F51999	MU 25	2479.20	1003.30	23-May-95	IOL
F52000	MU 26	2582.49	1045.10	23-May-95	IOL
F52768	MU 29	1425.55	576.90	23-May-95	Crown/IOL
F52769	MU 30	883.15	357.40	23-May-95	IOL
F52770	MU 31	1446.31	585.30	23-May-95	IOL
F52771	MU 32	2386.29	965.70	23-May-95	IOL
F52772	MU 33	2582.49	1045.10	23-May-95	IOL
F52773	MU 34	2469.07	999.20	23-May-95	IOL
F52774	MU 35	2324.27	940.60	23-May-95	IOL
F52775	MU 36	2489.58	1007.50	23-May-95	IOL
F52780	MU 41	2055.67	831.90	23-May-95	IOL
F60680	MU 45	2582.49	1045.10	23-Jul-96	IOL
F60681	MU 46	1446.31	585.30	23-Jul-96	IOL
F60682	MU 47	1549.60	627.10	23-Jul-96	IOL
F60683	MU 48	1756.18	710.70	23-Jul-96	IOL
F60684	MU 49	774.67	313.50	23-Jul-96	IOL
F60685	MU 50	2014.40	815.20	23-Jul-96	IOL
F60686	MU 51	1962.76	794.30	23-Jul-96	IOL
F60687	MU 52	2582.49	1045.10	23-Jul-96	IOL
F60688	MU 53	1807.82	731.60	23-Jul-96	IOL
F60689	MU 54	1859.47	752.50	23-Jul-96	Crown/IOL
F60690	MU 55	2272.62	919.70	23-Jul-96	Crown
F60691	MU 56	1497.95	606.20	23-Jul-96	Crown/IOL
F60692	MU 57	1343.02	543.50	23-Jul-96	Crown
F60693	MU 58	1291.37	522.60	23-Jul-96	Crown
F60694	MU 59	1911.11	773.40	23-Jul-96	Crown
F60695	MU 60	206.58	83.60	23-Jul-96	IOL
F60696	MU 61	103.29	41.80	23-Jul-96	IOL
F60785	MU 62	1033.15	418.10	25-Nov-96	Crown
F60786	MU 63	1497.95	606.20	25-Nov-96	IOL
F60787	MU 64	2375.91	961.50	25-Nov-96	IOL
F60788	MU 65	2272.62	919.70	25-Nov-96	IOL
F60789	MU 66	2272.62	919.70	25-Nov-96	IOL
F60937	MU 67	34.10	13.80	20-Feb-97	IOL
F60938	MU 68	361.51	146.30	20-Feb-97	Crown
F60939	MU 69	335.82	135.90	20-Feb-97	IOL
F60940	MU 70	206.58	83.60	20-Feb-97	Crown/IOL
F60941	MU 71	206.58	83.60	20-Feb-97	IOL
F60942	MU 72	1446.31	585.30	20-Feb-97	IOL
F60943	MU 73	981.50	397.20	20-Feb-97	IOL
42 Claims		**66393**	**26869**		

2003 Airborne Geophysical (Spectrem) Survey

In June 2003, Anglo American Exploration (Canada) Ltd. engaged Spectrem Air Limited to complete a 2,000 line-kilometre airborne electromagnetic and magnetic survey (also known as a Spectrem Survey) over the Muskox Intrusion property. A total of 1,987 line-kilometres were eventually flown over the property over six days (June 12-17, 2003). Flight lines were flown in an east-west orientation at 200 metres apart with nominal tie line spacing flown in a north-south orientation 2,000 metres apart. The DC-3 aircraft that conducted the survey was based out of Yellowknife, NT.

Based on the results of the survey coupled with the forward modelling of the geometry of potential buried massive sulphide bodies at Muskox, the report from Spectrem Air Limited identified thirteen high priority targets, six medium priority targets and eight low priority targets worthy of follow-up.

Ground Geophysics Program

Geophysical grids were emplaced using hand held GPS and consisted of marking stations with 50m spaced painted wooden laths; line spacing was generally 200m. Upon completion, the grids were then surveyed with differential GPS to achieve sub metre accuracy.

SJ Geophysics of Delta, British Columbia, conducted all of the ground geophysics during the summer 2004 exploration program. SJ completed 48.2 line kilometres of UTEM 3 electromagnetic work using seven wire loop configurations on six picketed grids between August 3rd and September 4th, 2003. Depending on the specific target, the survey consisted of either in-loop and/or off-loop work.

Diamond Drilling Program

A total of 1,501.14m of NQ core were drilled in six diamond drill holes on the Muskox Intrusion Option/JV property during the 2003 exploration program. The

helicopter-supported drill program was completed in a timely and effective manner by Titan Drilling of Yellowknife, Northwest Territories. Below, Table 2 lists detailed collar information for each hole. Crone Geophysics & Exploration Ltd. of Mississauga, Ontario completed borehole pulse EM in each hole. All drill core with obvious concentrations of sulphides was systematically sampled on site with sawn split core sent to ACME Analytical Laboratories in Vancouver and analyzed utilizing ACME's 4Ni analytical package (major oxide, trace elements, REE and base and precious metals, created for AAEC). Samples that returned anomalous values in any of the metals of interest were re-analyzed utilizing ACME's Group 7AR base metal assay (aqua regia digestion) and Group 3B-MS PGE fire assay methods. In the event that core was devoid of mineralization, representative whole core or split samples of each major rock unit were collected and submitted for geochemical analyses, typically every 30m down the hole or every change in lithology.

Photographs of all drill sites were taken before and after drilling and Anglo's internal Environmental Impact Survey for Diamond Drill Holes forms were completed and signed by the Project Manager and drill forman for each hole. Examples of the photographs are shown below in Figures 4 and 5.

Table 2. Detailed Collar Information for 2003 Drill Program.

Hole ID	UTM East	UTM North	Hole Azimuth	Hole Dip	Hole Elevation
MX03-001	573365	7423354	279	-70	536.0
MX03-002	579150	7408580	270	-70	558.5
MX03-003	578680	7409600	228	-70	583.0
MX03-004	581189	7407789	90	-60	556.5
MX03-005	580162	7410481	240	-75	540.0
MX03-006	580680	7403410	74	-75	489.0

Hole ID	Start Date	End Date	Total Depth (m)	Grid Name	Grid East	Grid North
MX03-001	13-Aug-03	16-Aug-03	214.88	FW-01	5600	5400
MX03-002	17-Aug-03	21-Aug-03	206.35	WW-02	9150	8580
MX03-003	22-Aug-03	23-Aug-03	185.32	WW-01	550	9400
MX03-004	26-Aug-03	29-Aug-03	240.18	CR-01	1200	7800
MX03-005	30-Aug-03	2-Sep-03	227.69	ES-01	1625	4200
MX03-006	4-Sep-03	10-Sep-03	426.72	CV	5500	5950

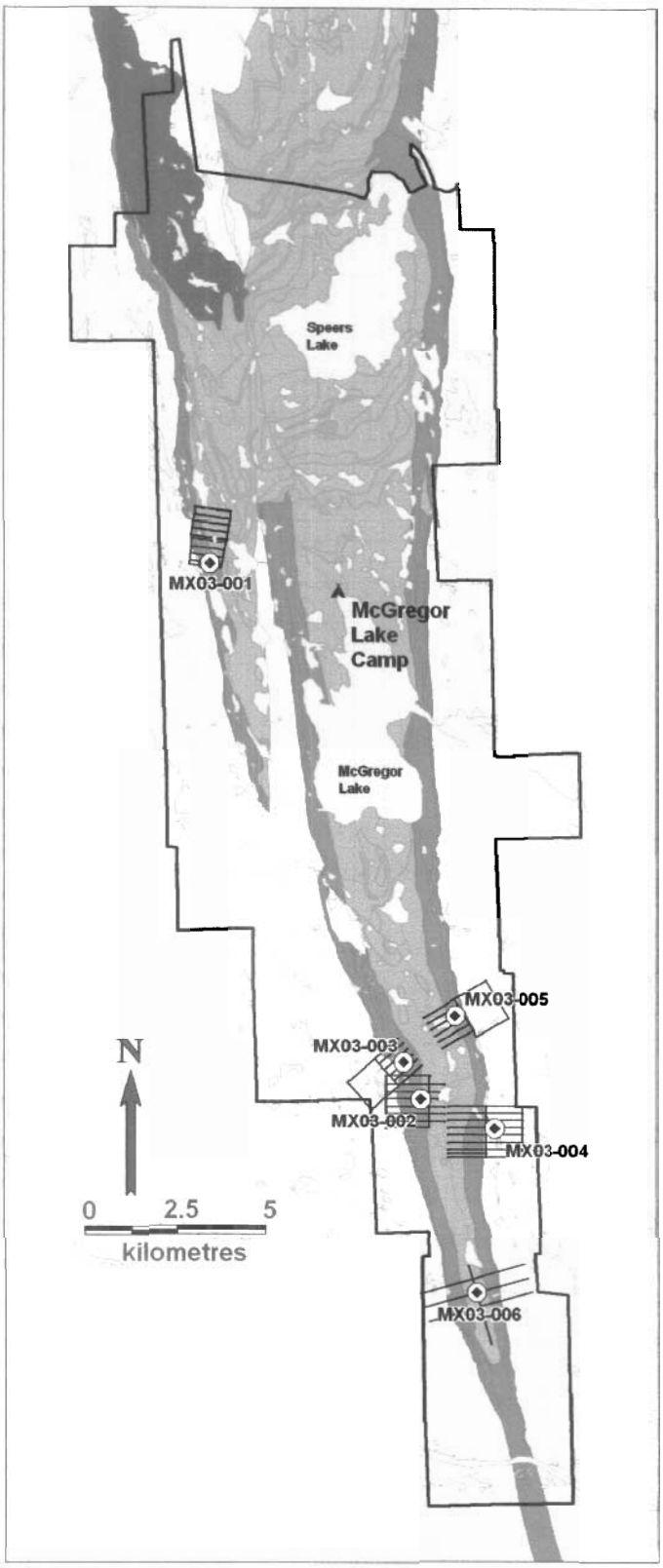


Figure 3. Location of 2003 Diamond Drill Hole Collars.

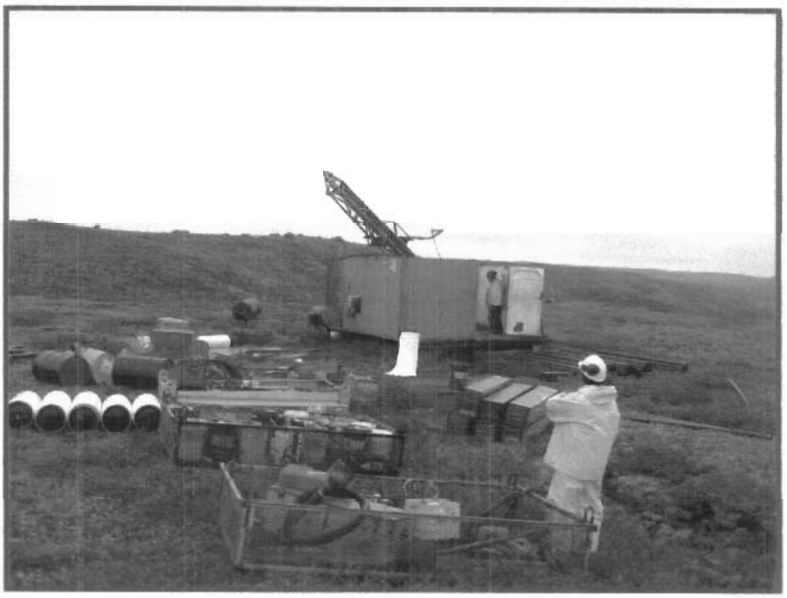
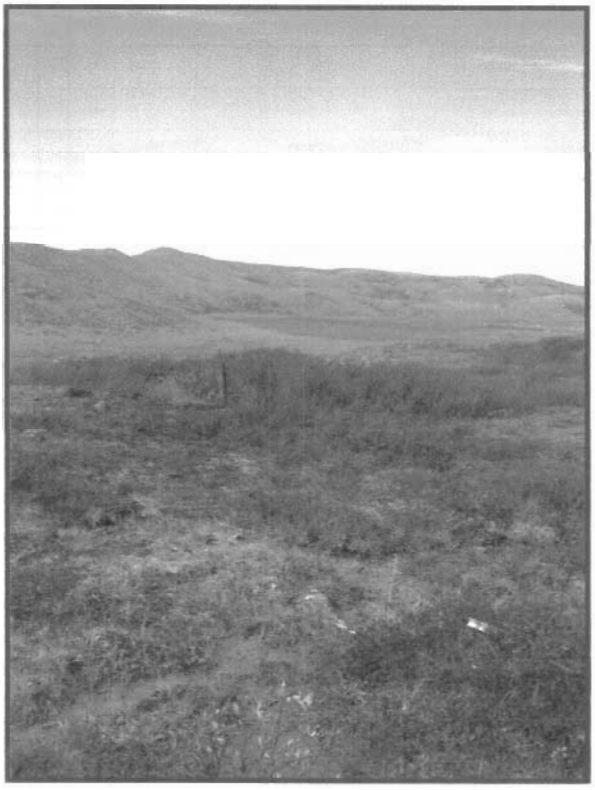


Figure 4. Photo of the drill setup for hole MX03-001.

Figure 5. Photo of drill setup MX03-001 after demob and clean up.



Soil Geochemistry Sampling Program

During the summer 2003 field program, additional funds were made available to complete a soil sampling program at the Muskox Intrusion project.

Tansy O'Connor-Parsons, geochemistry project leader, arrived at McGregor Lake on August 22 and Darren Reid, on loan from the HBMS Flin Flon office, and Johnny Oniak (Kugluktuk) arrived at camp on August 27 to expedite the soil sampling effort. A total of 965 samples, from 17 traverse lines from seven regions of the property were collected and submitted to ACME Labs in Vancouver for analyses (including standards and duplicates). Sample traverses covered historically known Ni-sulphide occurrences or drill intersections as well as current drill targets and potential 2004 exploration targets. Sample spacing was generally telescoped from 100m spaced samples out in the country rock and tightened to 25m spaced samples over the traces of the targeted conductor axes. Most target areas were covered by a minimum of two parallel soil traverse lines, spaced anywhere from 400-500m apart.

Average daily soil sampling rates were variable but generally high and ultimately depended on the ground conditions of the area. The two two-person sampling teams averaged 35 samples per day each. Attempts were made to air dry the samples in heated/ventilated structures for a minimum of 3 days prior to shipping to ACME Labs in Vancouver.

Permitting, Logistics, Safety – Health – Environment – Community (S.H.E.C.) & Contractors

Work permit applications, contracts and logistics for the summer 2003 exploration program started in earnest during April 2003. As the Agreement Property comprises multiple land classifications, work permit applications were submitted to the following organizations: the Kitikmeot Inuit Association (KIA) in

Kugluktuk for access to Inuit Owned Lands; the Nunavut Water Board (NWB) in Gjoa Haven for drilling and camp water use; and Indian and Northern Affairs Canada (INAC) for federal land use permits. As well, a project description was submitted to Workers Compensation Board in Yellowknife prior to the commencement of fieldwork. All permits are valid until 2005 and details are presented below in Table 3.

Table 3. AAEC Land Use Permits for the Muskox Intrusion Project

Permitting Organization	Type	Number	Date	Area
INAC	Land Use Permit	N2003C0017	4-Jul-05	Speers Lake Area
KIA	IOL Access Permit	KTL303C008	14-May-05	McGregor Lake Area (CO-52, CO-60)
NWB	Water License	NWB2MUS0305	15-Jul-05	McGregor Lake camp

Relevant contacts for the permitting process are listed below:

Nunavut Water Board (NWB)
P.O. Box 119
Gjoa Haven, Nunavut X0E 1J0
Phone (867) 360-6338
Fax (867) 360-6369
Attention: Phyllis Beaulieu, Licensing Administrator

Kitikmeot Inuit Association (KIA)
Kitikmeot Inuit Association
P.O. Box 360
Kugluktuk, Nunavut X0E 0E0
Phone (867) 982-3310
Fax (867) 982-3311
Attention: Jack Kaniak – Lands Manager jkaniak@polarnet.ca

Indian and Northern Affairs Canada (INAC)
Land Administration, DIAND
P.O. Box 100
Iqaluit, NU, X0A 0H0
Ph: 867.975.4283
Fx: 867.975.4286

Attention: Spencer Dewar, Land Administrator

Nunavut Impact Review Board (NIRB)
PO Box 2379
Cambridge Bay, NU
X0B-0C0
CANADA
Tel: (867) 983-2593
Fax: (867) 983-2574
Attention: Gladys Joudrey, Sr. Environmental Assessment Officer

McGregor Lake Camp served as the base of operations during the 2003 exploration program. Upon successful clean-up and repair by Matrix Aviation Solutions (owner of the McGregor Lake camp facilities), AAEC crew mobilized to the exploration camp on July 31, 2003. Geophysical grid emplacement and UTEM surveying started shortly thereafter. The drill crew arrived at camp on August 10 and the drilling was completed on September 9th. AAEC and Titan Drilling crews demobilized from McGregor Lake camp on Sept 12 and 13 respectively. Weatherhaven tents were utilized for cooking, cleaning and sleeping accommodations. The historical INCO cabins, on the property since the mid 1950's, were also utilized as additional accommodations, storage and core shack facilities. Over the fourty-two day exploration program, the camp occupancy rate ranged from a low of 3 during mobilization to a high of 24 persons for a two-day period (visitors) and averaged 16 persons over the duration of the program.

Water use in the camp averaged 250 gallons per day. Camp water was drawn from the creek immediately east of camp utilizing a small diesel pump equipped with a 20-mesh screen on the intake hose. All greywater from the kitchen, washing machine and showers was deposited in a sump behind the kitchen tent, well away from any standing or flowing water (approximately 100m from the creek and 250m from McGregor Lake). Water for drilling, up to 3,000 gallons per day, was drawn from local sources. Drill return/cuttings were deposited in natural

depressions/sumps at least 40m from the high water mark of the nearest water body. All drill muds and salts used during drilling are environmentally safe.

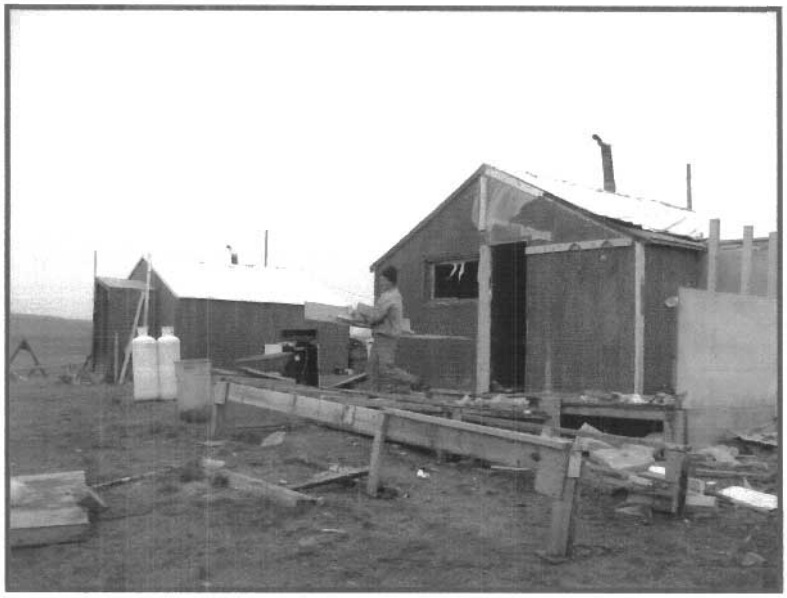
All combustible garbage was burnt in an incinerator on a daily basis. Non-combustible garbage was bagged and transported to Yellowknife for proper disposal when supply flights came to camp.

The fuel mobilization out of Yellowknife and Kugluktuk to camp was hampered by bad weather but was still completed by August 16. A total of 199 45-gallon drums of Jet-A/B helicopter fuel and 45 drums of P-50 fuel (diesel) were transported from Yellowknife to Kugluktuk in two Hercules flights (First Air) and then by Single Otter and amphibious Caravan aircraft from Kugluktuk to McGregor Lake camp.

Along with this clean-up effort, one of the historical cabins on the property that had been ransacked by Grizzly bears the previous spring and nearly rendered unusable was completely refurbished. Such a good job was done at cleaning the cabin up that the drill forman utilized it as his personal sleeping quarters during the drill program. "Before and After" photos can been seen below (Figures 6, 7).

Efforts to clean up portions of the property were successfully implemented during the later part of the field program. All Titan Drilling equipment that was located at Dozer Lake and Valley Lake Camp was relocated to McGregor Lake camp, as were all 100 lbs propane cylinders and P-50 from Valley Lake (belonging to Matrix Aviation Solutions; Figures 8, 9 below). As well, several person-days were spent cleaning-up a large historical garbage dump north of the campsite (INCO and others?) where metal scrap and other debris were collected off the tundra and stored in empty 45-gallon drums; approximately 50 drums worth of materials were collected.

Figure 6. Clean-up of "Andy's Shack", McGregor Lake Camp, Aug 2003



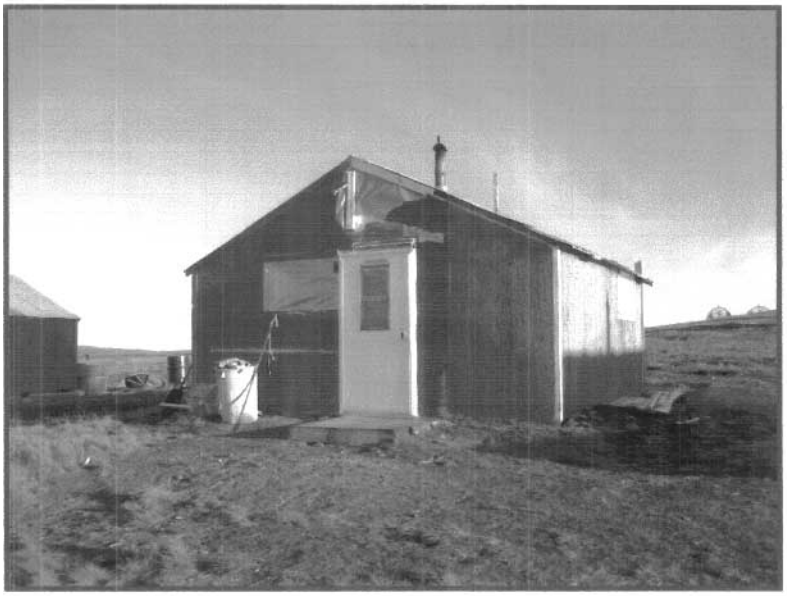


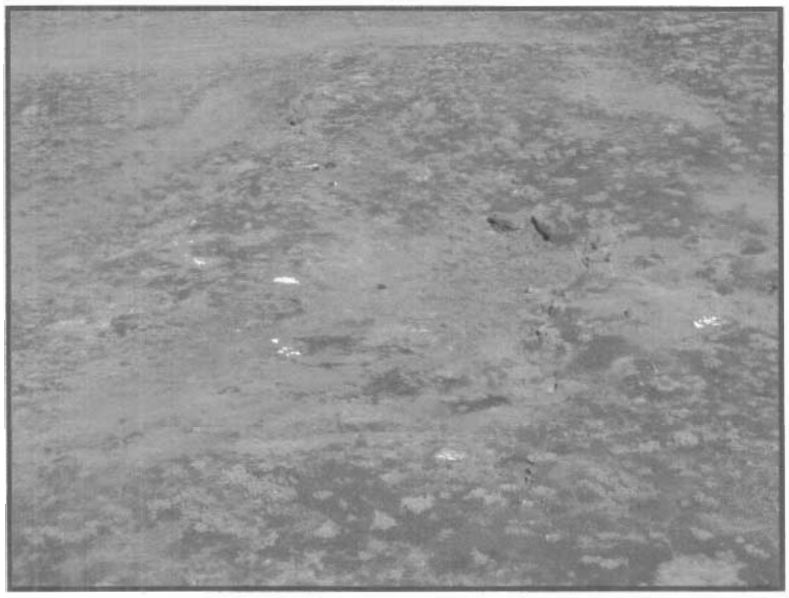
Figure 7. After the clean-up of "Andy's Shack" McGregor Lake Camp, Aug 2003

A fuel reclamation program was successfully implemented during the summer where the remnant 2-3 gallons found in each drum from the historical fuel drum cache was captured and transferred to newer 45-gallon drums. Over eight drums of fuel were collected and can be used as heating oil. The remaining

empty drums are now fit for transport back to Yellowknife and/or Kugluktuk for proper disposal in an approved dump.

Figure 8. Valley Camp in June 2003 (view looking east from helicopter)

Figure 9. After clean-up of "Valley Camp" August 2003 (view looking north from helicopter)



The McGregor Lake camp was subjected to a minor Grizzly bear problem during the first two weeks of the summer field program when a problematic bear entered camp on several occasions. At one point, the bear was seen partially inside the

kitchen tent – this particular bear had apparently been in camp during the spring when it gorged itself on garbage and food stocks left behind by previous camp inhabitants. Although federal wildlife officers in Kugluktuk and Cambridge Bay granted permission to destroy the bear, it was not seen again near camp after it was shot a second time with rubber slugs. A separate report of the wildlife incident has bee sent to the Conservation Officers in Kugluktuk and Cambridge Bay.

One medivac incident occurred during the project when a geophysical contractor was sent to the Kugluktuk nursing station after complaining of severe abdominal pains and vomiting. The contractor suffered no serious ill effects and returned to full duties within two days (the contractor apparently had a history of stomach difficulties). One of the camp's first aid attendants accompanied the patient to Kugluktuk and stayed overnight at a local hotel.

A Titan driller was replaced during the program after suffering a strain type injury during a drill move. The injury did not result in any lost time as he was replaced in a timely manner.

The following is a listing of suppliers, contractors and employees that participated in the exploration program at McGregor Lake:

AAEC personnel
Gary DeSchutter – Project Manager
Anthony Kovacs – Project Geophysicist
Tansy O'Connor-Parsons – Soil Sampler Project Leader
Robin Mackie – Field Geologist, University of British Columbia
Jeff Kadlun - Camp Assistant, Grid Emplacement, Ground Geophysics, Borehole Geophysics (Kugluktuk)
Johnny Oniak – Camp Assistant, Soil Sampling (Kugluktuk)
Joe Graham Novoligak - Camp Assistant, Grid Emplacement, Ground Geophysics, Soil Sampling (Kugluktuk)

Titan Drilling – diamond drilling contractor
Stan Cochrane – President, driller
John Grier, driller
Rod Perrin, driller's helper
Hank Gamblin, driller's helper
Kevin Marren, driller
Tim Allen, driller's helper
Larry Wasyluk, driller

Nunasi Helicopters – helicopter/engineer support A-Star
Marty Belinski – Astar Pilot
Gordon Southern – Astar Pilot
Chris Massey – Helicopter engineer
Wes Barron – Otter pilot

Mulco – Logistical support in Kugluktuk (fuel mob, temporary housing, helicopter servicing)

1984 Enterprises Inc. – WCB liaison, first aid attendants, camp cooks
Arthur Giovinazzo – Camp Cook & First Aid Attendant
Tania Lafortune – Bull Cook & First Aid Attendant

Matrix Helicopter Solutions – general expeditor, camp management
Martin Knutson – Principal
Bruce Jonasson – General Expediting and charter aircraft support
Guy Villeneuve – McGregor Lake Camp manager

Weaver & Devore, Yellowknife – food supplies

Gene's Telecom, The Pas, Manitoba – radio and satellite phone rentals

Air Charter Companies
Summitt Air – charter aircraft (Donrnier)
First Air – Hercules charter, commercial flights
Arctic Sunwest – charter aircraft (Twin Otter)
Plummer's Lodge – charter aircraft (Single Otter)
Air Tindi – charter aircraft (Cessna, Twin Otter)

SJ Geophysics – UTEM 3 electromagnetic surveys
Neil Visser – UTEM 3 survey operator
Syd Visser – UTEM 3 report author

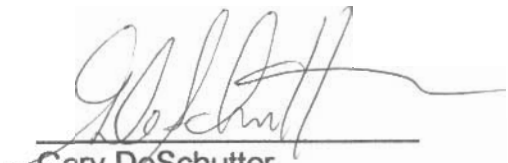
Crone Geophysics – borehole electromagnetic surveys
Wayne Pearson – borehole geophysics operator
Neil Hughes – borehole geophysics operator, report author

Work Scheduled for 2004

Anglo American plans to carry out a limited exploration program during the winter/spring 2004 field season. Upon completion of an ice airstrip at the north end of McGregor Lake during late March, the AAEC crew will mobilize to camp to begin a one month exploration program consisting of ground geophysics and diamond drilling (2 holes). A helicopter will remain on site for the duration of the project and primary transportation will consist of several snow machines.

The McGregor Lake camp will once again be the base of operations during this program and shall consist of Weatherhaven tents. It is estimated that up to 13 people will reside at the camp at any one time. Water for camp use will be drawn from McGregor Lake and will not exceed 250 gallons per day. Water for land based drilling will be drawn from the nearest water source. There will be no drilling on lake ice during this program.

A concerted effort will be made to clean-up much of the historical mess at camp during the demobilization including the removal of empty fuel drums, propane cylinders and scrap metal/garbage. Upon completion of the program, and dependant of the results of the drilling, the intention is to remove all drill and camp equipment from the property before the spring thaw. Intermediate sized aircraft (Dash-7, Dornier, Skyvan, Twin Otter) will be brought to camp to facilitate the demobilization and clean-up effort in April (on the ice air strip).



Gary DeSchutter
Senior Project Geologist
Anglo American Exploration (Canada) Ltd.