

EMERALD BAY ENERGY, INC.**BALANCE SHEET****ASSETS**

	March 31 <u>2003</u> (Unaudited)	December 31 <u>2002</u> (Audited)
CURRENT ASSETS		
Cash	\$ 45,198	\$ 37,089
Accounts receivable	434,267	257,901
Prepaid expenses and deposits	17,307	15,580
Due from related parties	<u>344,993</u>	<u>339,160</u>
	841,764	649,730
Due from related party	89,541	89,541
Property and equipment	438,160	434,801
License fee	70,000	70,000
Future income taxes	<u>112,918</u>	<u>134,928</u>
	<u>\$ 1,552,383</u>	<u>\$ 1,379,000</u>

LIABILITIES

CURRENT LIABILITIES		
Bank indebtedness	\$ 38,216	\$ -
Bank loan	327,500	412,500
Accounts payable and accrued liabilities	<u>499,941</u>	<u>386,906</u>
	865,657	799,406
Abandonment and site restoration provision	<u>12,282</u>	<u>11,881</u>
	<u>877,939</u>	<u>811,287</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL	878,104	878,104
DEFICIT	<u>(203,660)</u>	<u>(310,391)</u>
	<u>674,444</u>	<u>567,713</u>
	<u>\$ 1,552,383</u>	<u>\$ 1,379,000</u>

EMERALD BAY ENERGY, INC.**STATEMENT OF INCOME FOR THE PERIOD****THREE MONTHS ENDED MARCH 31, 2003**

(Unaudited)

	3 Months ended March 31	
	<u>2003</u>	<u>2002</u>
Revenues		
Petroleum and natural gas sales	\$ 456,672	\$ 221,810
Royalties	(104,291)	(34,901)
Alberta Royalty Tax Credits	<u>26,073</u>	<u>8,725</u>
	378,454	195,634
Expenses		
Operating	68,124	44,950
General and administrative	136,912	132,242
Interest	6,262	4,027
Depletion, depreciation and site restoration	<u>13,415</u>	<u>8,241</u>
	224,713	189,460
Income for the period before tax	153,741	6,174
Current taxes(Recovery)	<u>47,010</u>	<u>(20,985)</u>
	<u>106,731</u>	<u>(14,811)</u>
Income(loss) for the period	106,731	(14,811)
Deficit, beginning of period	<u>(310,391)</u>	<u>(74,284)</u>
Deficit, end of period	<u>\$ (203,660)</u>	<u>\$ (89,095)</u>
Income(loss) per share	0.02	(0.01)

EMERALD BAY ENERGY INC.**STATEMENTS OF CASH FLOW****THREE MONTHS ENDED MARCH 31, 2003**

(Unaudited)

	3 months ended March 31	
	<u>2003</u>	<u>2002</u>
OPERATING ACTIVITIES		
Income for the period	\$ 106,731	\$ (14,811)
Add back non-cash items		
Depletion, depreciation and site restoration	13,415	8,241
Future tax recovery	22,010	-
	<u>142,156</u>	<u>(6,570)</u>
Changes in non-cash working capital	<u>(65,057)</u>	<u>(193,818)</u>
Cash provided by operating activities	<u>77,099</u>	<u>(200,388)</u>
INVESTING ACTIVITIES		
Note receivable	-	-
Purchase of property, plant and equipment	(16,774)	(69,126)
Proceeds on disposition of property, plant and equipment	-	-
	<u>(16,774)</u>	<u>(69,126)</u>
FINANCING ACTIVITIES		
Bank loan	(85,000)	125,000
Advances to related parties	(5,833)	(4,550)
Abandonment and site restoration	401	-
Issuance (repurchase) of share capital, net	-	-
	<u>(90,432)</u>	<u>120,450</u>
Increase in cash	(30,107)	(149,064)
Cash, beginning of period	<u>37,089</u>	<u>131,797</u>
Cash, end of period	<u>\$ 6,982</u>	<u>\$ (17,267)</u>

EMERALD BAY ENERGY, INC.

**NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2003**

(Unaudited)

1. Basis of preparation

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2002. The interim consolidated financial statements should be read in conjunction with the December 31, 2002 annual financial statements.

2. Change in accounting policy

Effective January 1, 2002, the Company adopted CICA 3870 *Stock-based Compensation and Other Stock-based Payments*. As permitted by CICA 3870 the Company has applied this change prospectively for new awards granted on or after January 1, 2002. The Company has chosen to recognize no compensation when stock options are granted to employees and directors under its stock option plan.

Direct awards of stock to employees and stock option awards granted to non-employees have been accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of granting using a Black-Scholes Option Pricing Model. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods.

This new standard requires the presentation of pro-forms net loss as if the Company had accounted for its employee stock options granted on or after January 1, 2002 under the fair value method. As the Company did not issue any options during the three months ended March 31, 2003, no pro forma adjustment is required for the period.

3. Income per share

Per share information is calculated on the basis of the weighted average shares outstanding during the period of 6,274,228

Basic	6,274,228
Diluted	6,894,228

4. Related party

Note receivable and due from related parties reflects interest of \$ 4,726 charged at March 31, 2003 for three months.

SCHEDULE "B"**Supplementary Information****(For the Three Months ended March 31, 2003)**

1.

**SCHEDULE OF GENERAL, ADMINISTRATIVE
AND SELLING EXPENSES****FOR THE THREE MONTHS ENDED MARCH 31, 2003****(Unaudited)**

Advertising and promotion	\$ 1,210
Communications	2,754
Consulting	83,915
Insurance	892
Interest and bank charges	531
Occupancy	8,820
Office	7,353
Payroll	24,211
Professional fees	28,009
Regulatory expenses	<u>4,720</u>
	<u>\$ 162,412</u>

2. Share Capital

a) Authorized

Unlimited number of common shares
 Unlimited number of preferred shares, issuable in series.

b) Issued

	2002		2001	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	6,218,228	\$ 861,160	6,356,228	\$ 892,960
To be issued pursuant to private placement	125,000	26,500	-	-
Repurchase of common shares to be cancelled	(69,000)	(9,556)	(138,000)	(31,800)
Balance, end of year	6,274,228	\$ 878,104	6,218,228	\$ 861,160
Weighted average number of shares outstanding	6,356,228		6,335,000	

c) During 2002, the Company repurchased 69,000 (2001 - 138,000) of its common shares at an average price of \$0.20 (2001 - \$0.23) for total cash consideration of \$13,800 (2001 - \$31,801). This resulted in a \$9,556 charge to share capital and a \$4,244 charge to deficit. These shares remain un-cancelled at March 31, 2003.

d) Stock Options

The Corporation has established a stock option plan whereby the Company may grant options to its directors, officers, employees and consultants up to maximum of 10% of the issued common shares. The exercise price of each option equals the market price of the Company's shares on the date of the grant. Stock options vest evenly over the three-year period from the date of grant and expire five years after the date of grant.

	2002		2001	
	Shares	Weighted-Average Exercise Price \$	Shares	Weighted-Average Exercise Price \$
Stock options, beginning of year	502,096	\$ 0.23	502,096	\$ 0.23
Granted	117,904	0.19	-	-
Stock options outstanding, end of year	620,000	\$ 0.22	502,096	\$ 0.23
Exercisable, end of year	541,396	\$ 0.22	435,428	\$ 0.22

e) List of Directors

Leonard D. Rice, Calgary, AB
 Shelby D. Beattie, Boise, Idaho

Richard Tingle, Calgary, AB
 Richard Forest, Calgary, AB