

# KETTLE RIVER RESOURCES LTD.

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**January 18, 1984**

**Dear Shareholder,**

Attached are the interim financial statements for Kettle River Resources Ltd. for the six month period ended October 31, 1983.

Reprinted on the reverse side of this sheet is the company's October 25, 1983 News Release. This release summarizes the 1983 exploration program and the company's plans for 1984. Work is expected to resume in February. Details of the work program to be carried out will be forwarded as soon as the 1984 budget is finalized.

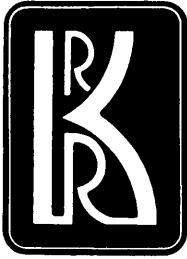
KETTLE RIVER RESOURCES LTD.

Brian Fagan,  
President

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# KETTLE RIVER RESOURCES LTD.

NEWS RELEASE  
October 25, 1983

Brian Fagan, Vice President of Kettle River Resources Ltd. reports that its 1983 exploration program has been successfully completed and plans are now being formulated for 1984.

During 1983, Kettle River spent in excess of \$600,000 developing its 46 square miles of mineral claims located in the Greenwood area of British Columbia. These claims form the nucleus of the Phoenix district which has a past production history of 550,000,000 pounds of copper, 6,500,000 ounces of silver and 1,100,000 ounces of gold.

The bulk of this year's work was carried out on the Sylvester K gold property in which Kettle River has a 49% interest with Noranda Exploration Company Ltd. holding the other 51%. After an extensive surface stripping and trenching program, a twenty hole diamond drill program was completed on this zone. Detailed surface sampling indicated this zone to average about 12 feet in width over a strike length of about 800 feet. Gold values from areas within the zone averaged between 0.30 and 0.40 oz/ton gold. On surface it appeared that drilling off grade and tonage would be a simple matter.

The drill program carried out during June, July, and August 1983, unveiled a much more complicated geological setting at depth than was anticipated. To calculate any reliable tonage and grade figures for the Sylvester K property an additional drill program combined with bulk sampling will have to be carried out. This development, although slowing down the company's progress, should only be viewed in the perspective of normal problems encountered in developing a gold mine. Management feels that the Sylvester K is an important deposit that will produce in the future. In addition, there are at least three other gold bearing zones to be tested within the immediate area. Drilling and bulk sampling on these zones is planned for 1984.

Upon completion of the 1983 expenditures, Kettle River earned a 49% interest in all ground held by Noranda Exploration Company Ltd. in the Phoenix District. Further development of the properties will be carried out under a Joint Venture Agreement between the two parties. The terms of the Joint Venture and the scope of the 1984 program are presently being negotiated and discussed. Kettle River has in excess of \$2,300,000 CASH in working capital, so will have no problems in participating. It is anticipated, work will again resume on the properties early in 1984.

KETTLE RIVER RESOURCES LTD.  
Brian Fagan, Vice President

*Brian Fagan*



# KETTLE RIVER RESOURCES LTD.

## INTERIM FINANCIAL INFORMATION (Unaudited) October 31, 1983

**Mackay  
& Partners**  
Chartered  
Accountants

### STATEMENT 2

#### COMMENTS ON UNAUDITED INTERIM FINANCIAL INFORMATION

To the Shareholders of  
**KETTLE RIVER RESOURCES LTD.**

We have prepared the accompanying unaudited interim financial information comprising the statements of income and retained earnings and changes in financial position for the six month period ended October 31, 1983 from the records of Kettle River Resources Ltd. and from other information supplied to us by the company and have reviewed such interim financial information. Our review, which was made in accordance with standards established for such reviews, consisted primarily of enquiry, comparison and discussion.

We have not performed an audit and consequently do not express an opinion on this interim financial information. The most recent audited financial statements issued to the shareholders on which we have expressed an opinion were for the year ended April 30, 1983.

*Mackay & Partners*

Vancouver, Canada  
November 30, 1983

CHARTERED ACCOUNTANTS

#### CHANGES IN FINANCIAL POSITION For the Six Month Period Ended October 31, 1983 (Unaudited - See Comments on Unaudited Interim Financial Information)

	1983	1982
<b>WORKING CAPITAL PROVIDED BY:</b>		
Shares issued for cash (net of issue commission)	\$2,104,375	\$ 101,000
Interest income (Schedule)	89,570	3,484
Operations	16,936	---
Option proceeds on mineral properties	15,000	---
	<u>2,225,881</u>	<u>104,484</u>
<b>WORKING CAPITAL USED FOR:</b>		
Reduction in advances from joint venture partners	30,000	---
Exploration expenditures (Net of depreciation)	361,337	86,156
Administrative expenditures (Schedule)	121,152	26,241
Acquisition of fixed assets	56,961	1,685
Acquisition of mineral claims	500	5,145
	<u>569,950</u>	<u>119,227</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	<u>1,655,931</u>	<u>(14,743)</u>
<b>WORKING CAPITAL, OPENING</b>	<u>746,984</u>	<u>35,593</u>
<b>WORKING CAPITAL, CLOSING</b>	<u>\$2,402,915</u>	<u>\$ 20,850</u>
<b>REPRESENTED BY:</b>		
Current assets	\$2,441,828	\$ 62,442
Current liabilities	<u>38,913</u>	<u>41,592</u>
	<u>\$2,402,915</u>	<u>\$ 20,850</u>

APPROVED BY THE DIRECTORS:

*[Signature]* Director  
*Brian Fagan* Director

### STATEMENT 1

### SCHEDULE

#### INCOME AND RETAINED EARNINGS For the Six Month Period Ended October 31, 1983 (Unaudited - See Comments on Unaudited Interim Financial Information)

#### DEFERRED ADMINISTRATIVE EXPENSES For the Six Month Period Ended October 31, 1983 (Unaudited - See Comments on Unaudited Interim Financial Information)

	1983	1982
REVENUE - Equipment rental	\$ 16,936	\$ ---
EXPENSE - Depreciation (Note 1)	<u>547</u>	<u>---</u>
INCOME BEFORE INCOME TAXES	16,389	---
INCOME TAXES - DEFERRED	<u>8,525</u>	<u>---</u>
NET INCOME FOR THE PERIOD	7,864	---
RETAINED EARNINGS, OPENING	<u>---</u>	<u>---</u>
RETAINED EARNINGS, CLOSING	<u>\$ 7,864</u>	<u>\$ ---</u>
EARNINGS PER SHARE	<u>\$ .003</u>	<u>\$ ---</u>

	1983	1982
<b>EXPENDED DURING THE PERIOD:</b>		
Office, postage and telephone	\$ 25,658	\$ 407
Public relations and travel	23,683	4,740
Management fees (Note 6)	18,000	4,500
Printing and shareholders' information	16,721	809
Legal	14,347	5,409
Transfer agent fees	11,590	1,373
Accounting and audit	6,574	6,779
Capital taxes	2,373	---
Stock exchange fees	1,775	2,150
Bank charges and interest	<u>431</u>	<u>74</u>
	121,152	26,241
Less: Interest income	<u>89,570</u>	<u>3,484</u>
	31,582	22,757
<b>BALANCE, OPENING</b>	<u>129,423</u>	<u>23,582</u>
<b>BALANCE, CLOSING (Note 3)</b>	<u>\$161,005</u>	<u>\$ 46,339</u>

**NOTES TO THE INTERIM FINANCIAL INFORMATION**  
**For the Six Month Period Ended October 31, 1983**  
(Unaudited - See Comments on Unaudited Interim Financial Information)

**1. SIGNIFICANT ACCOUNTING POLICIES**
**A) Mineral Properties**

The company capitalizes all acquisition, exploration and development costs and administrative expenses related to exploration and development of mineral properties on a property-by-property basis. The costs of sold or abandoned properties are charged to expense in the period of sale or abandonment. The costs of producing properties are depleted by the unit of production method based upon estimated proven reserves.

The allocation of deferred administrative expenditures among mining properties is based on the ratio of exploration expenditures incurred on each property to total exploration expenditures incurred in the period.

**B) Depreciation**

Depreciation is recorded on the declining balance basis using the rates as indicated in Note 2.

**C) Joint Venture Operations**

The company's exploration and development activities are, in some instances, conducted jointly with others and accordingly the accounts reflected only the company's proportionate interest in such activities.

**2. FIXED ASSETS**

	1983			1982	
	Rate	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and equipment	20%	\$ 19,270	\$ 1,113	\$ 18,157	\$ 286
Exploration office trailer	30%	19,861	8,085	11,776	7,717
Mining equipment	30%	41,745	6,781	34,964	1,545
Automotive equipment	30%	15,391	1,154	14,237	---
		<u>\$ 96,267</u>	<u>\$ 17,133</u>	<u>\$ 79,134</u>	<u>\$ 9,548</u>

**3. MINERAL PROPERTIES**

As at October 31, 1983, accumulated costs in respect of mineral claims owned or under option consisted of the following:

	1983			1982	
	Acquisition Costs	Deferred Exploration Expenses	Deferred Administrative Expenses	Total	Total
B.C. Mine Area Properties	\$20,243	\$ 53,697	\$ 16,914	\$ 90,854	\$ 81,690
Sappho Area Properties	8,078	21,234	4,092	33,404	25,465
Noranda Option Properties	1	442,637	103,063	545,701	132,759
Greenwood Area Properties	<u>2,820</u>	<u>155,248</u>	<u>36,936</u>	<u>195,004</u>	<u>31,635</u>
	<u>\$31,142</u>	<u>\$672,816</u>	<u>\$161,005</u>	<u>\$864,963</u>	<u>\$271,549</u>

**Greenwood Area Properties**

By an agreement dated June 10, 1983, the company granted an option to another company to acquire four of its mineral claims which are situated in the Greenwood Area for the following proceeds:

Received on signing of agreement	\$ 10,000
200,000 treasury shares of the purchaser to be issued at various intervals, as follows:	<u>Shares</u>
- Upon acceptance by the regulatory authorities of the purchaser company's prospectus for the issue of 250,000 shares	25,000
- Three allotments of 50,000 shares in successive intervals of 180 days each	150,000
- Final allotment of shares 720 days after the first issue date	<u>25,000</u>
	<u>200,000</u>

The agreement also requires the purchaser to expend certain minimum amounts on exploration of the property until commencement of production. Should the purchaser decide to commence production, the company may elect to participate as a 25% working interest partner or may elect to receive a 2% net smelter return royalty.

**4. SHARE CAPITAL**
**Authorized:**

10,000,000 common shares without par value

**Issued and fully paid:**

	Number of Shares	Proceeds		
		Gross	Commissions	Net
<b>Issued as at April 30, 1983:</b>				
For cash	1,545,001	\$1,243,801	\$ 24,000	\$1,219,801
For mineral claims	750,000	7,500	---	7,500
	2,295,001	1,251,301	24,000	1,227,301
<b>Issued during the period:</b>				
For cash	500,000	2,275,000	170,625	2,104,375
<b>Issued as at October 31, 1983</b>	<u>2,795,001</u>	<u>\$3,526,301</u>	<u>\$194,625</u>	<u>\$3,331,676</u>

On November 1, 1982, the company granted non-transferable share options to two directors and one consulting geologist for a total of 170,000 and 10,000 shares respectively. The options are exercisable at \$1.06 per share until November 1, 1987. As at October 31, 1983, a total of 150,000 of the non-transferable share options were outstanding.

**5. COMMITMENTS AND CONTINGENCIES**
**A) Recoverability of Cost of Unproved Mineral Properties**

The recoverability of costs of unproved mineral properties is subject to the discovery of sufficient commercially recoverable reserves.

**B) Noranda Option Properties**

The company has an option with Noranda Exploration Company, Limited to acquire a 49% interest in 151 mineral claims and 3 mineral leases located in the Greenwood Mining Division of B.C. By July 31, 1983, the company had exceeded the \$300,000 expenditure level which it was required to meet in order to exercise the option. Accordingly, the company has reached agreement in principle with Noranda to enter into an operating agreement with Noranda whereby it will be required to contribute 49% of future expenditures.

**C) Greenwood Area Claims**

Pursuant to an agreement dated February 28, 1983, the company has entered into an option agreement to acquire nine mineral claims in the Greenwood Mining Division of B.C. for \$200,000 payable as follows:

By December 31st of each year commencing in 1983, the greater of:

- (i) \$10,000, or
- (ii) 10% of net smelter returns.

In addition, the company is committed to expending not less than \$30,000 in exploration of the property by December 31, 1984.

**6. RELATED PARTY TRANSACTIONS**

The majority of the company's exploration activities are conducted through a company of which a director is the principal shareholder and another director is an associate. The total amount paid or payable to this company for consulting services for the period was \$15,738 (1982 - \$18,075).

Included in accounts payable and accrued liabilities as at October 31, 1983 is \$10,439 owing to this company for consulting fees and reimbursable expenses.

Fees paid or payable to a director, for fieldwork and maintenance of a field office for the period were \$29,491 (1982 - \$10,296).

Included in accounts payable and accrued liabilities as at October 31, 1983 is \$4,105 owing to this director for fieldwork, maintenance of a field office and reimbursable expenses.

A significant portion of the company's administrative activities are performed by a director who also provides financial consulting services to the company. The total amount paid or payable to this director for management fees and financial consulting services for the period was \$18,000 (1982 - \$4,500).

A director of the company is also a director of the other two companies which are joint venture partners as described in Note 5(B).

**7. JURISDICTION OF INCORPORATION**

The company is incorporated under the laws of the Province of British Columbia.

**8. COMPARATIVE FIGURES**

Certain of the figures for the previous period have been reclassified to conform with the presentation adopted for the current period.



# KETTLE RIVER RESOURCES LTD.

## GREENWOOD B.C. MINING CLAIMS INCLUDING RECENT STAKING

GREENWOOD MINING DIVISION

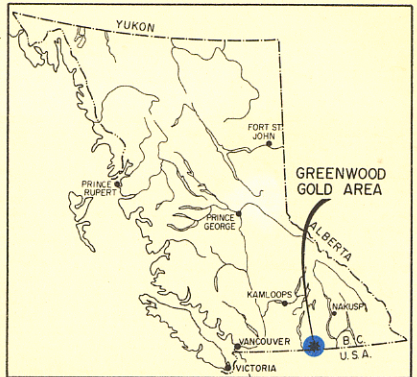
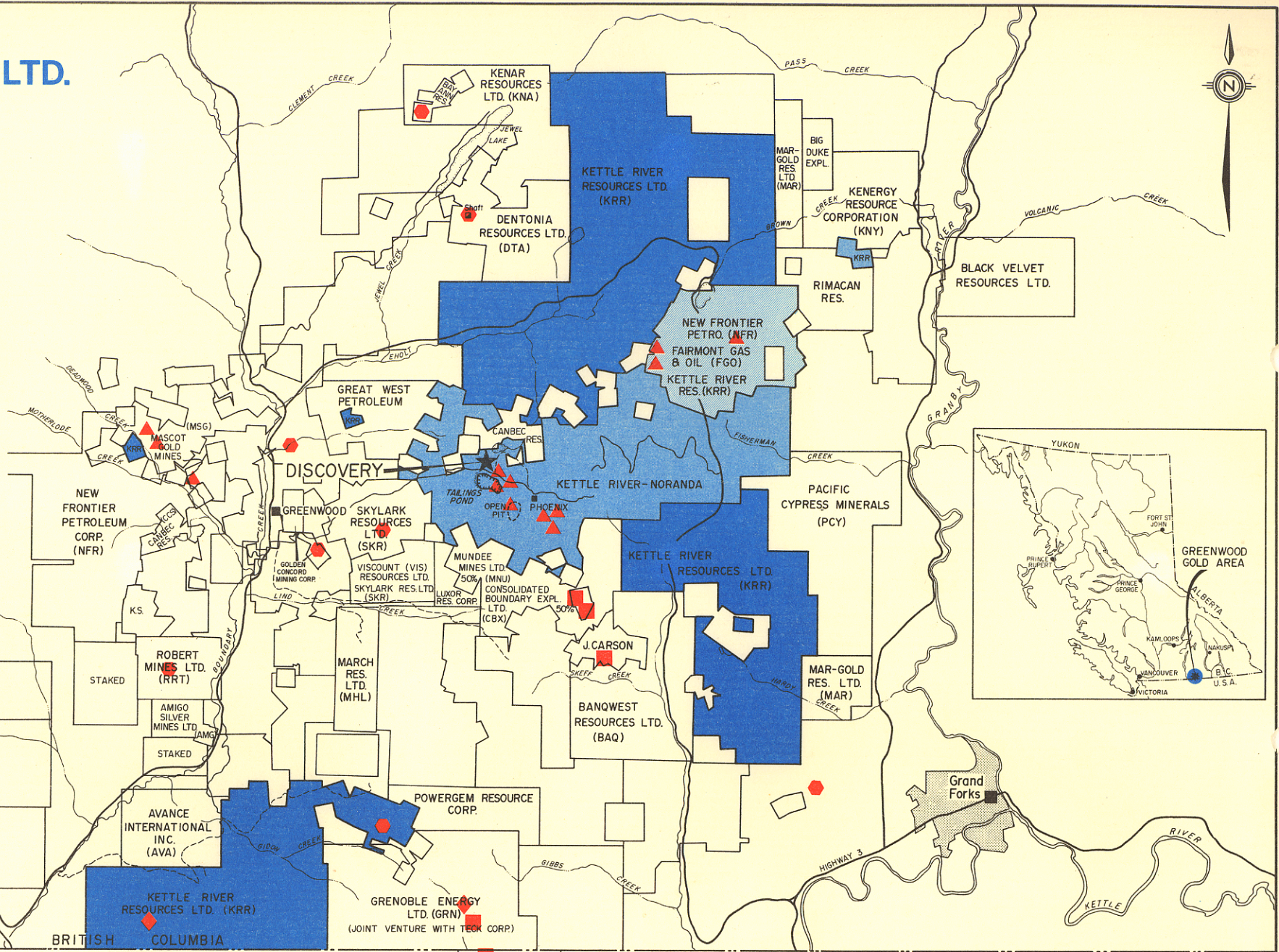
BRITISH COLUMBIA

KILOMETRES 0 1 2 4 6 KILOMETRES

MILES 0 1/2 1 2 3 4 MILES

APRIL 15, 1983

- GREENWOOD PROJECT (KRR 100%)
- PHOENIX PROJECT (KRR 49% - NOR 51%)
- BLUEBELL PROJECT (KRR 33 1/3 - NFR 33 1/3 - FGO 33 1/3)
- RAINBOW PROJECT (KRR 50% - DTA 50%)
- STRATABOUND Cu-Au-Ag MINE
- QUARTZ VEIN Au-Ag MINE
- SERPENTINITE ASSOCIATED MINE Au + Cu + Ag
- PORPHYRY PROSPECT



## KETTLE RIVER RESOURCES LTD.

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 TICKER TRADING SYMBOL KRR  
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