

003475



Gallant Gold Mines Ltd.

Suite 1900, Deon Building
999 West Hastings Street
Vancouver, B.C. V6C 2W2
Telephone: (604) 687-6600
Telecopier: (604) 687-3932
Telex: 04-508326 (Angela VCR)

ANNUAL REPORT TO SHAREHOLDERS

The Board of Directors is pleased to present the annual report of Gallant Gold Mines Ltd. for the year ended December 31, 1985.

During the year, the legal dispute regarding the FCD oil and gas revenue in Oklahoma, U.S.A. was settled, resulting in the receipt of \$229,000 which represented substantially all of the Company's claim. The FCD program continues to provide a steady cash flow of approximately \$4,000 per month although recently this has dropped to approximately \$2,000 per month due to declining production levels and falling oil prices.

The Company is presently in a strong working capital position as a result of two private placements of treasury shares to net the Company \$382,000, a public financing in March, 1986 to net \$543,900 and \$550,000 of flow-through share funds. These funds will now allow the Company to actively explore its mineral properties in 1986.

PATMORE (CROWSHORE) PROPERTY

The Company's Crowshore Property consists of eight patented mining claims situated in one of the highest grade gold camps in the Canadian Precambrian shield. The Pickle-Crow Central Patricia gold camp produced over 4.9 million tons of ore averaging .42 oz. gold/ton prior to closure of the Pickle-Crow mine in 1966. Gallant's claims are contiguous to Highland-Crow Resources Pickle-Crow property and cover the northeasterly extension of the main iron formation which hosts the Pickle-Crow Central Patricia and Dona Lake deposits (the Dona Lake deposit is reported to contain 1.4 million tons grading 0.22 oz. gold/ton). Previous work on the Crowshore property dates back to the 1930's.

To date there are seven known gold occurrences on the property. These consist of shear zones and quartz vein sulphide zones associated with iron formation. Results from the C Zone, a shear zone on which surface trench sampling has been carried out, returned gold values of 0.49 oz. gold/ton over an average width of 4.3 ft.

The Company will conduct a comprehensive exploration program this year, consisting of detailed geological mapping, intense prospecting, trenching and stripping, geophysical surveying, geochemical sampling and diamond drilling.

PROPERTY FILE

826 N5067

GEORGIA CLAIMS

82FSW149

The Georgia claims are situated about 2 kilometres from Rossland, B.C. and 15 kilometres from the Cominco smelter at Trail.

The Rossland gold camp, first discovered in 1887 resulted in the establishment of Cominco Ltd. and the Trail smelter. Nearly three million ounces of gold was produced from their Rossland property prior to 1927 with an average grade of 0.47 oz. gold/ton.

Gallant has assembled a sizeable package of land in the Rossland camp two kilometres along strike from the former Cominco mine. Previous exploration has shown vein type mineralization with good grades across widths of five to ten feet. Three of the claims are former producers ~~shipping ore grading 0.3 to 0.5 oz. gold/ton~~ and a fourth claim had drill indicated reserves of 38,500 tons averaging 0.228 oz. gold/ton when mining activity ~~ceased in 1941.~~

Geological, geophysical and geochemical work has been carried out over the past three years by the Company. A number of strong conductors have been defined. Several of these are associated with exposed massive sulphide veins or mineralized zones and rock chip samples show many of the veins to assay high in gold and copper. This suggests that important gold concentrations can occur in the silicified country rock between the veins. A diamond drill program has been recommended and will be underway in the next few months.

PERRY CREEK (GOLD STREAM) CLAIMS

826/12

826NW067?

At Perry Creek near Kimberly, B.C., the site of the first placer gold discovery in British Columbia, the Company has assembled 96 mineral claim units covering some of the former workings. Lode gold was discovered in 1897 along the valley walls above Perry Creek. The showings, until recently, have never been assessed with modern exploration methods. Exploration work by Gallant commenced in 1979.

Recent geochemical work has identified two very important zones. On the Quartz Hill claim grab samples over the known quartz vein system have given repeated values well in excess of 1 oz. gold/ton. Reports indicate that in 1973, some 1,373 tons was mined from one vein in an open pit on this claim and returned 0.26 oz. gold and 0.20 oz. silver/ton in addition to lead, zinc and copper values.

The other, and potentially even more important zone is at the south end of Gallant's property where a 75 ft. wide pyritic cherty argillite zone has been sampled and returned a 10 ft. section averaging 0.115 oz. gold/ton. This suggests the possibility of a larger bedded type deposit.

The Company will commence shortly a \$200,000 exploration program consisting of geological mapping, magnetometer survey, basal till sampling, trenching and diamond drilling.

PROPERTY FILE