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Laramide Resources Ltd. **Annual Report**

*Building reserves
of zinc, copper and gold
on southern Vancouver Island,
British Columbia*

Laramide Resources Ltd. is a Vancouver-based company listed on the Toronto and Vancouver Stock Exchanges carrying out exploration and development work on its 100%-owned Lara gold/base-metals massive sulphide deposit located near the village of Chemainus on southern Vancouver Island where a resource of 583,000 tons averaging 1.01% copper, 1.22% lead, 5.87% zinc, 2.92 ounces per ton silver and 0.138 ounces per ton gold over an average width of 8.7 feet has been identified. The Lara deposit was discovered in 1984 and has been the subject of 150,900 feet of diamond drilling, 2,300 feet of underground development and preliminary metallurgical testing. It is well situated near power supplies, transportation and community infrastructure, for low-cost development and production. There is geological potential for very large base-metal/gold reserves in the Sicker volcanic formation on the Lara property. Minnova Inc., a Noranda Group company, is Laramide's largest shareholder and is funding the current work programme.

Report to Shareholders



Dear Shareholder:

In 1989 the Company continued to press ahead with an aggressive exploration programme on its 100%-owned Lara copper-zinc-gold massive sulphide deposit on southern Vancouver Island. Thirty-three thousand feet of diamond drilling was completed at a cost of \$1.1 million. Most of this was in-fill on the Coronation Zone which contains an estimated resource of 583,000 tons averaging 1.01% copper, 1.22% lead, 5.87% zinc, 2.92 ounces per ton silver and 0.138 ounces per ton gold. Limited metallurgical studies were also continued on material from the underground mine workings. In addition, geological mapping, geochemical and geophysical surveys and limited exploration drilling outside of the Coronation Zone was carried out.

Twenty-six thousand feet of exploration drilling at an estimated cost of \$1 million is planned for 1990. This work will be focused on the identification of new reserves outside of the Coronation trend. The drilling targets are extensive zones of alteration and sulphide mineralization in the favourable Sicker volcanic belt on the Company's 7,000-acre property.

Exploration work in 1989 on the Lara property was funded by Minnova Inc. Minnova now owns 37% of the issued shares of Laramide and can earn a further 1,000,000 shares by spending \$1,500,000 on the property before June 30, 1991.

Elsewhere, Laramide maintains interests in four mineral properties

and five exploration companies with properties located in British Columbia. Vanco Explorations Limited, a 59.7%-owned subsidiary, plans to carry out exploration work in 1990 on its southern British Columbia gold prospect and on adjacent property optioned from Inco Limited. It is expected that Rio Algom will continue exploration work in 1990 on property in the Kenora District of Ontario in which Laramide has a 50% interest.

Laramide holds an indirect interest in a major copper-gold deposit at Fish Lake in southwestern British Columbia through its ownership of 16% of the issued shares of Taseko Mines Limited. The Fish Lake deposit is the subject of a legal dispute between Taseko and Cominco which is expected to be resolved this year.

Management looks forward optimistically to a productive year in 1990, with a fully funded exploration programme of \$1,000,000 dedicated to expanding reserves at the Lara massive sulphide deposit.

On behalf of the Board,

A handwritten signature in black ink, appearing to read 'A. F. Reeve', written over a white background.

Albert F. Reeve
President

March 30, 1990

Exploration Projects



1. Vanco Explorations Limited

Laramide owns 59.7% of Vanco, a private company, which holds a 62% interest in a 6,050-acre claim block in the Quesnel District of B.C. adjacent to the "QR" gold deposit.

Vanco also holds a 100% interest in the Sadim prospect in the Aspen Grove District in southern B.C. where an extensive zone of alteration and quartz stockworks is mineralized with gold. Early in 1990 Vanco optioned, from Inco Limited, a claim block adjacent to the Sadim property and plans to proceed with surface exploration work on both properties in 1990. Vanco has made a \$5,000 down payment to Inco as well as a \$50,000 work commitment. Vanco can earn a 50% interest in the Inco property by spending \$500,000 on exploration before December 31, 1992.

2. Quilchena Resources Ltd.

Quilchena is a private company 50% owned by Laramide and holds the Snowflake gold-copper prospect, located adjacent to the main highway at Aspen Grove in southern B.C. The Snowflake property is under option to Gerle Gold Ltd. of Vancouver. Geological work by Gerle in 1989 has identified a large zone of alteration and copper-gold mineralization about one kilometre in diameter

which appears to define a gold-rich alkaline porphyry system geologically similar to the Afton and Copper Mountain Mines as well as the Mt. Milligan deposit in northern B.C. Gerle is presently seeking financing to carry out a geophysical survey and drilling programme in 1990. Laramide owns a 6,500-acre block of mineral claims (Pot claims) adjacent to the Snowflake property.

3. Taseko Mines Limited

Laramide is the largest shareholder of Taseko, holding 716,500 shares (16.3%). Taseko owns the Fish Lake gold-copper "porphyry" deposit located 105 miles by road southwest of Williams Lake, B.C. The Fish Lake deposit contains an estimated resource of 220,000,000 tons averaging 0.24% copper and 0.014 ounces per ton gold, to a depth of 500 feet at a stripping ratio of 1:1. The property is the subject of a legal dispute between Cominco and Taseko which was heard in the British Columbia Court of Appeal on February 27, 1990. A decision in this case is expected during the second quarter of 1990.

4. Crow Lake Gold Prospect

The Company's Crow Lake property near Nestor Falls, Ontario was pooled with adjacent claims owned by Calnor Resources Ltd. in 1989, and the combined property was optioned to Rio Algom Exploration Inc. During the winter of 1989-1990, Rio carried out geophysical

surveys and diamond drilling (1,647 feet). Low gold values were returned from intersections of the mineralized shear zone and it is anticipated that Rio will drill again at Crow Lake next winter.

5. Calnor Resources Ltd.

Laramide owns 450,000 shares (8.7%) of Calnor which holds a 65.3% interest in the Spectrum gold prospect at Nuttlude Lake in northwestern B.C. Prior to 1989, nine of 23 diamond drill intersections returned an average of 0.48 ounces of gold per ton over an average core length of 13.1 feet, indicating shear controlled high grade gold mineralization. In 1989 the property was optioned to Cominco who drilled nine holes which returned three intersections as follows:

28.9 ft/0.30 opt gold

5.6 ft/0.52 opt gold

8.9 ft/0.27 opt gold

Cominco terminated their option because the property lacked potential for a low grade bulk tonnage deposit.

The management of Calnor believes that further work is required to develop the high grade shear zones.

6. Nation River Resources Ltd.

Laramide owns 31.9% of the issued shares of Nation River, a private exploration company operated by geologist Colin Campbell of Courtenay, B.C.

Nation River holds gold prospects on Quadra Island near Courtenay, at Klukas Lake, 20 miles west of Prince George and in the Mt. Milligan area in north-central B.C. No exploration work was carried out on these properties in 1989. Nation is planning a prospecting programme in the Mt. Milligan District in 1990.

7. Cannell Creek Gold Prospect

No exploration work was done in 1989 on the Company's Cannell Creek property located 28 miles north of Kamloops, B.C.

8. Kitimat Gold/Base-Metals Prospect

This property, located immediately north of the town of Kitimat, B.C., was not actively explored in 1989.

Consolidated Balance SheetsAs at December 31,
1989 and 1988

	1989	1988
	\$	\$
Assets		
CURRENT ASSETS		
Cash and term deposits	549,316	754,940
Accounts receivable and prepaids	11,229	6,462
Flow-through funds receivable		103,000
	560,545	864,402
FIXED ASSETS, net of accumulated depreciation of \$16,454 (1988 - \$14,518)	7,747	9,683
INVESTMENTS (note 3)	904,335	836,176
MINERAL PROPERTIES AND RELATED DEFERRED COSTS (notes 4 and 6)	7,488,890	6,132,884
OTHER ASSETS	8,786	8,786
	<u>8,970,303</u>	<u>7,851,931</u>
Liabilities		
CURRENT LIABILITIES		
Accounts payable	26,493	43,087
MINORITY INTEREST	115,869	89,066
	<u>142,362</u>	<u>132,153</u>
Shareholders' Equity		
CAPITAL STOCK (note 5)	8,950,134	7,820,515
DEFICIT	(122,193)	(100,737)
	<u>8,827,941</u>	<u>7,719,778</u>
	<u>8,970,303</u>	<u>7,851,931</u>

APPROVED BY THE DIRECTORS



Director



Director

Consolidated Statements of Deficit

*For the years ended
December 31, 1989
and 1988*

	1989	1988
	\$	\$
DEFICIT - BEGINNING OF YEAR	100,737	76,971
Write-off of mineral claims	21,456	23,766
DEFICIT - END OF YEAR	<u>122,193</u>	<u>100,737</u>

Consolidated Statements of Changes in Financial Position

*For the years ended
December 31, 1989
and 1988*

	1989	1988
	\$	\$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITY		
Net change in non-cash working capital items	81,639	8,087
FINANCING ACTIVITIES		
Shares issued - for investments		226,200
- for cash		2,260,800
- for flow-through exploration	103,000	907,737
Shares reserved for exploration expenditures	1,026,619	75,770
Option payments received, net	20,000	
Minority interest	26,803	
	<u>1,176,422</u>	<u>3,470,507</u>
INVESTING ACTIVITIES		
Mineral properties and related deferred costs, excluding depreciation	(1,395,526)	(3,503,924)
Investments	(68,159)	(323,950)
	<u>(1,463,685)</u>	<u>(3,827,874)</u>
DECREASE IN CASH AND TERM DEPOSITS	(205,624)	(349,280)
CASH AND TERM DEPOSITS - BEGINNING OF YEAR	<u>754,940</u>	<u>1,104,220</u>
CASH AND TERM DEPOSITS - END OF YEAR	<u>549,316</u>	<u>754,940</u>

Consolidated Statements of Mineral Properties and Related Deferred Costs

For the years ended
December 31, 1989
and 1988

	1989	1988
	\$	\$
MINERAL PROPERTIES (note 4(a))		2,300,000
EXPLORATION COSTS		
Depreciation	1,936	2,420
Diamond drilling	591,369	94,955
Environmental studies		11,443
Geochemical analysis	37,457	77,679
Heavy equipment rentals	2,503	59,621
Licences and fees	4,317	3,436
Mineral research		2,700
Miscellaneous	875	4,988
Office	2,735	5,958
Operator's fee	111,459	28,493
Supplies	63,882	82,107
Surveys and claim staking	95,252	2,018
Technical and professional fees	373,322	257,554
Travel	20,563	20,340
Underground		422,694
	1,305,670	1,076,406
ADMINISTRATION COSTS		
Administrative and office services	71,800	74,240
Advertising and promotion	1,318	4,683
Audit and legal	33,862	75,072
Licences and other fees	23,928	8,868
Office	4,625	3,089
Shareholders' meetings and reports	21,561	28,043
Travel	1,005	2,978
Interest income	(66,307)	(67,035)
	91,792	129,938
OPTIONS AND OTHER PAYMENTS, net	(20,000)	1,039
MINERAL PROPERTIES AND RELATED DEFERRED COSTS BEFORE WRITE-OFFS —INCURRED DURING THE YEAR	1,377,462	3,507,383
MINERAL PROPERTIES AND RELATED DEFERRED COSTS BEFORE WRITE-OFFS —BEGINNING OF YEAR	6,132,884	2,651,222
Less: Mineral properties written off	(21,456)	(23,766)
Costs incurred on behalf of Vanco Explorations Limited		(1,955)
MINERAL PROPERTIES AND RELATED DEFERRED COSTS	7,488,890	6,132,884

Auditors' Report to the Shareholders

We have examined the consolidated balance sheets of Laramide Resources Ltd. as at December 31, 1989 and 1988 and the consolidated statements of deficit, mineral properties and related deferred costs, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1989 and 1988 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Vancouver, B.C.
March 2, 1990

Coopers & Lybrand
Chartered Accountants

Notes to Consolidated Financial Statements

*For the years ended
December 31, 1989
and 1988*

1. Operations

The company is in the exploration stage and, on the basis of information to date, does not yet have economically recoverable reserves. The underlying value of the mineral properties and related deferred costs is entirely dependent upon the existence of such reserves, the ability to obtain the necessary financing to develop the reserves and upon future profitable production.

2. Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the company, its 59.7%-owned subsidiary, Vanco Explorations Limited (see below) and its inactive, wholly-owned U.S. subsidiary, Laramide Resources Inc.

On December 31, 1989, a subsidiary (Summers Creek Resources Ltd.) and an investee (Vanco Explorations Limited (Vanco)) of the company were amalgamated. This transaction has effectively provided the company with a controlling interest in Vanco, and accordingly the net assets of Vanco were consolidated at December 31, 1989. The previous cost of the initial investment in Vanco has been recorded as consideration for the acquisition, giving rise to a purchase price discrepancy of approximately \$70,000, which has been allocated to mineral

properties and deferred costs. The name of the amalgamated company continues as Vanco Explorations Limited.

MINERAL PROPERTIES AND RELATED DEFERRED COSTS

The cost of mineral properties and the related exploration and administration costs are deferred until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned.

OPTION PAYMENTS

Option payments are made at the discretion of the optionee and, accordingly, are accounted for on the cash basis.

DEPRECIATION

Depreciation of fixed assets is provided on a declining balance basis at the rate of 20% per annum.

INVESTMENTS

Investments in which the company owns up to 20% of the issued common shares are accounted for at cost, less provision for any decline in value which is considered to be other than temporary.

Investments in which it owns between 20% and 50% of the common shares are accounted for using the equity method of accounting.

3. Investments

	1989	1988
	\$	\$
Calnor Resources Ltd. (quoted value \$67,500; 1988 - \$112,500)	100,000	100,000
Quilchena Resources Ltd. (no quoted value)	300,135	300,135
Vanco Explorations Limited (no quoted value)		46,841
Nation River Resources Ltd. (no quoted value)	120,250	105,250
Taseko Mines Limited (quoted value \$179,125; 1988 - \$232,425)	383,950	283,950
	<u>904,335</u>	<u>836,176</u>

(a) The company owns 8.7% of the issued capital of Calnor Resources Ltd. The interest was acquired in exchange for issuing 50,000 common shares of the company for a deemed consideration of \$100,000.

(b) The company owns 50% of the outstanding shares of Quilchena Resources Ltd. The carrying value of this investment represents exploration costs of \$250,135, incurred by the company, on property now owned by Quilchena Resources Ltd. and a cash subscription for shares of \$50,000.

(c) During the year, the company:

- purchased 50,000 shares in Nation River Resources Ltd. for \$15,000, bringing its ownership to 31.9% of the issued capital; and
- increased its interest in Taseko Mines Limited to 16.3% by purchasing 200,000 shares for \$100,000 cash.

(d) As at December 31, 1988, the company owned 46.6% of the issued capital of Vanco Explorations Limited. The carrying value of the investment represented an acquisition cost of \$16,000 cash, subscription for shares of \$3,750 and exploration costs of \$27,091 (see note 2).

4. Mineral Properties

(a) On October 31, 1988, the company increased its interest in the Lara property (149 claim units) to 100% by acquiring the remaining 65% interest in the property from its joint venture partner (and operator of the joint venture) for a purchase price of \$2,300,000 in cash and a royalty of 10% of net profits from production on the property, after repayment of capital. The royalty is convertible (at the option of the vendor), until October 31, 1990, into 5% of the issued capital of the company on a fully diluted basis outstanding as at the date of conversion (see note 5(c)).

Notes to Consolidated Financial Statements

Continued

- (b) During the year, the company pooled its interest in 16 Ontario mining claims with a company holding three claims in the same Ontario mining district. Each company has a 50% interest in the pooled claims. The pooled claims are subject to an option agreement whereby the optionee may earn up to a 75% interest in the claims by making specified expenditures of \$2,000,000 before July 1, 1994.
- (c) In addition to the foregoing, the company owns 554 mineral claim units in British Columbia.

5. Capital Stock

Authorized - 20,000,000 (1988 - 20,000,000) common shares with no par value

Issued and fully paid -

	1989		1988	
	Shares	\$	Shares	\$
For cash	5,577,722	4,176,225	5,577,722	4,176,225
For exploration	2,575,454	3,224,390	2,454,277	3,121,390
For investments	267,000	326,200	267,000	326,200
	8,420,176	7,726,815	8,298,999	7,623,815
Reserved for issue				
(note 5(a) and (b))	1,148,879	1,223,319	214,877	196,700
	9,569,055	8,950,134	8,513,876	7,820,515

- (a) During the year, the company issued 121,177 shares for \$103,000 of Canadian Exploration Expense (CEE) incurred in 1988; these shares had been reserved for issue at December 31, 1988.
- (b) In 1988, the company completed a private placement whereby it issued 2,500,000 shares for \$2,250,000 cash and renounced \$2,250,000 of Canadian Development Expense (CDE) to the placee. In addition, the company granted the placee the option to earn, by June 30, 1991, up to a further 2,000,000 shares of the company by making exploration and development expenditures on, or with respect to, the Lara property at the rate of one share for every \$1.00 of expenditures for the first \$1,000,000 and one share for every \$1.50 of expenditures for the next \$1,500,000 of expenditures. To December 31, 1989, expenditures

of \$1,223,319 (1988 - \$93,700) have been incurred and 1,148,879 shares (1988 - 93,700) have been reserved for issue.

(c) The company has a contingent commitment to issue shares under a convertible royalty agreement dated October 31, 1988. The commitment is contingent upon the vendor's exercising its right (by October 31, 1990) to convert a 10% royalty into 5% of the issued capital of the company as at the date of conversion on a fully diluted basis (see note 4(a)).

(d) At year end, there were outstanding employee stock options for 240,000 shares and directors' stock options for 225,000 shares, exercisable until September 7, 1994 at \$0.385 per share.

6. Future Income Taxes

Since incorporation, the company has raised \$5,720,826 (1988 - \$3,371,390) through the issue of 5,568,326 (1988 - 2,954,281) flow-through shares. These funds have been expended on CEE and CDE, the tax benefits of which will not accrue to the company.

In addition, the tax benefit on \$1,223,319 of expenditures incurred on the Lara property by a third party (note 5(b)) will not be available to the company.

7. Related Party Transactions

During the year, the company was billed \$152,725 (1988 - \$174,180) by companies owned by two directors for office services and technical and professional services.

Corporate Information

Directors

Albert F. Reeve
Jurgen T. Lau
R. James Kirker
William Wolodarsky
Gary R. McDonald
John W. Stollery
Duncan M. Stewart
David H. Watkins

Officers

Albert F. Reeve, President
Annikki Puusaari, Secretary

Head Office

904 - 675 West Hastings Street
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Annual General Meeting

The Annual General Meeting of the Company will be held at Salon A of the Engineers Club, 640 West Pender Street, Vancouver, British Columbia on Wednesday, May 16, 1990 at 10:30 a.m.

Auditors

Coopers & Lybrand
Chartered Accountants
Vancouver, B.C.

Transfer Agent & Registrar

Montreal Trust
510 Burrard Street
Vancouver, B.C. V6C 3B9

Solicitors

Bull, Housser & Tupper
3000 Royal Centre
1055 West Georgia Street
Vancouver, B.C. V6E 3R3

Records & Registered Offices

3000 Royal Centre
1055 West Georgia Street
Vancouver, B.C. V6E 3R3

Principal Shareholders

Minnova Inc.	37.15%
Canada Northwest Energy Limited	17.15%

Listings

Toronto Stock Exchange
Symbol: LAM—T
Vancouver Stock Exchange
Symbol: LAM—V

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