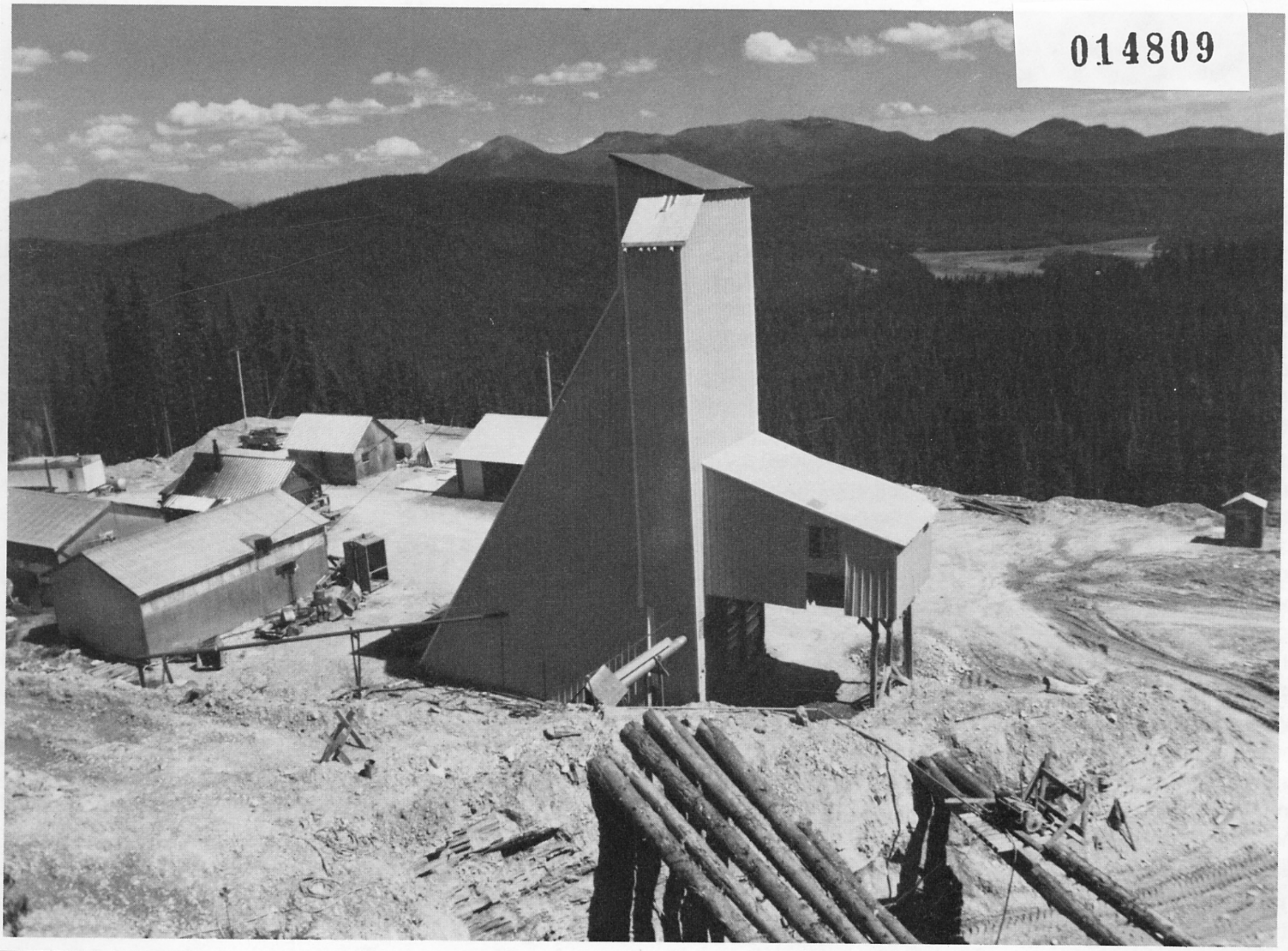


THE MOSQUITO CREEK GOLD MINING COMPANY LIMITED

INTERIM REPORT

FOR THE SIX MONTHS
ENDED JUNE 30, 1983

OPERATIONAL UPDATE

Since our last report to shareholders contained in the Annual Report for 1982, the operations at the Company's producing gold mine at Mosquito Creek, 2 miles north of Wells, B.C. have shown progressive improvement. Your management is confident that many of our problems are now behind us, and that further improvements will occur providing the price of gold does not take a dramatic downward swing.

As you are all aware the Company has experienced a number of problems since the mine went into production on February 28, 1980 due largely to the acute lack of working capital, the direct result of the collapse in the gold price and general economic adversity. This meant insufficient income could be generated from production to provide for adequate exploration and development work to maintain ore reserves, or for the modification of mining and milling operations to reduce costs and improve efficiency.

We are pleased to report a definite improvement in both exploration and operations, although it is too soon for the changes to be reflected in the accompanying interim financial statements. We are confident that by the end of the fiscal year a reasonable profitable position will be disclosed.

The equity financing arranged in February when gold was at $500 U.S. per ounce, took place in early June, through the facilities of the Vancouver Stock Exchange with five brokerage companies as agents participating. A total of 1,100,000 units were sold by the Company, consisting of one share and two 'A' warrants per unit at a price of $1.35 Cdn., for net proceeds of $1,373,625. The warrants may be exercised at any time to December 5, 1983, on the basis of two warrants and $1.41 Cdn. for each new share. In addition, the Company granted the agents 330,000 'B' share purchase warrants, exercisable at $1.41 per share for each warrant to December 5, 1983. Should the warrants be exercised the Company will receive $2,016,300, raising the present issued capital from 5,983,800 common shares to 7,413,800. The critical nature of this working capital to the future successful operation of the mine is recognised by your management, and every effort will be made to secure the additional financing.

THE PROPERTY

Mosquito Creek's original holding consisted of 29 Crown-Granted mineral claims and fractions, covering some 998-acres. As the mining operations on the former producing Island Mountain property to the southeast, now owned by Wharf Resources Ltd. (Wharf) had essentially followed the northwest trending ore bodies down plunge towards the Mosquito ground, leaving a large area unexplored in the upper levels, and as the ground to the northwest held by the Barkerville Mining Company Limited (NPL), (a subsidiary of Bralorne Mines Limited), has basically been unexplored, it was decided to seek an agreement with the two companies to obtain mining rights on their ground. This has been achieved on favourable terms, and your Company has acquired the mining rights to 17 Crown-Granted mineral claims and fractions from Wharf and 14 Crown-Granted mineral claims and fractions from Barkerville. These acquisitions have virtually doubled the acreage deemed prospective for the exploration and for the mining of gold by your Company.

EXPLORATION & DEVELOPMENT

From commencement of production, it has not been possible to maintain the reserves due to the shortage of working capital to block out new tonnage. This decline is anticipated to be arrested as exploration proceeds with the objective of matching new ore found with production, and then to exceed monthly mining rates. The major purpose of the recent financing is to embark upon a large scale exploration programme to delineate sufficient mineable reserves for upwards of two years production at the intended expanded rate.

Surface Work

A detailed geophysical programme has been completed over most of the present acreage on which the Company has mining rights with satisfactory results. A further phase of prospecting and mapping is in progress with the emphasis on exploring the 17 large trenches put in by previous operators along the mountainside southeast of the mine. Five trenches have been cleaned out and of these, two show extremely promising showings of sulfide mineralization with good gold values. These trenches are now being mapped and sampled preparatory to definition drilling and, if the drilling defines ore bodies, eventual mining. The surface exposures are regarded as the outcropping of ore shoots which should project down plunge to be mined not only from underground but also from the surface.

Three old adits have been discovered on the Wharf ground, which are anticipated to afford underground access to the upper level workings of the former Island Mountain and provide geologic information for underground mapping and drilling. Currently two surface diamond drill rigs are at work, one rig is drilling the projected up plunge of 2 I stope at the southeast end of the Mosquito Creek mine. The second rig is drilling fences of holes northwesterly from the Pumphouse ore zone west of the shaft to define the down plunge of this zone and the extension of a stope being mined underground. After drilling in these areas, the rigs will be moved to other areas of interest delineated by the surface geologic, geophysical and geochemical exploratory surface work presently in progress.

Underground work

Two rigs are drilling at the northwest end of the mine on Levels 1 and 3 to test for bedded limestone replacement sulfide ore bodies. When this phase of drilling is completed the drills will be moved to the southeast end of the mine to test several promising targets, including those found during the 250 foot drive on level 1 to surface. Any new ore shoots found by surface drilling will be further tested from underground with the objective of developing new mining faces as rapidly as possible. This is essential to increase underground production.

After the onset of winter, drilling will be concentrated underground, unless surface work has progressed to the point that holes can be spotted through the snow cover. Historically about 16,000 feet of diamond drilling has delineated 24,000 tons of drill indicated reserves. The present drill programme should reach 4,000 feet per month; the objective is the definition of up to 40,000 tons of ore, at which time the programme will be continued on the basis of replacing mined reserves.

Another result of the present programme is for better definition of mine geology, which could well result in greatly reduced drilling costs due to the more definitive selection of drill targets. The co-ordination of surface and underground drilling and exploration is essential. The general 20 degree plunge of ore shoots is quite predictable, allowing correlation of known underground ore bodies with surface exposures and vise verse.

MINING AND PRODUCTION

Underground production has been augmented by the mining of surface showings—in particular the Pumphouse zone, which was opened up this year and has produced an estimated 600 tons, grading up to the present .44 ounces of gold per ton. Stope 3 I has proved particularly valuable yielding a grade of .86 ounces of gold per ton. Management is pleased that in July the daily donnage milled reached 80 tons per day and the grade rose to over .4 ounces of gold per ton. The present exploration effort should increase surface production except in the mid-winter months, when more reliance will have to be placed on the results of underground development and mining.

The driving and opening up of level 1 into an adit has taken some strain from the lifting ability of the shaft, as ore and waste rock from level 1 can be moved directly to surface. The problem of waste removal will be further reduced by the utilization of mined out stopes, which will be filled with waste, again relieving the burden on shaft facilities and providing greater access to lower levels. While the present hoisting system places a constraint on the amount of waste and ore which can be lifted daily, ways are being planned to either achieve alternative means of exit from the mine, or to reduce the amount of waste extracted from the mine. To this end it is planned to drive level 2 some 600 feet to the surface, which will make mine access much closer to the mill. This level may eventually evolve as the main access to the mine.

The improvements to date have increased monthly production above 750 ounces of gold. Over the last year, costs associated with producing the gold and silver bricks have dropped to around $400.00 Cdn. per ounce of gold. This means the mine is making a small profit which should increase dramatically as the objectives of management are achieved in increasing tonnage and grade processed. It is intended to gradually raise daily production to 150 tons per day, which will require minor modifications to the mill (which has processed up to 125 tons per day) and to improve mill head grade of ore to .5 ounces of gold per ton, the historic average from production of replacement ore on Island Mountain. Attainment of these goals should reduce costs to about $350.00 Cdn. per ton.

Other improvements are underway. The problem of overloading in the power system is being solved by the installation of a larger and central power plant for both the mine and mill. This particular change is significant, as installed capacity will then provide sufficient power and ventilation underground to allow blasting, mining, mucking and development drilling to take place on the same shift, instead of the present split operational shift basis. Surface equipment potential draw-down of power will also be accommodated without the need to monitor for an overload factor.

FUTURE OPERATIONS

Management is confident of the future success of the mine. Increased exploration and development is expected to replenish and expand ore reserves, and provide increased working faces which will allow selective mining in different parts of the mine and on the surface. This will permit blending of ore to maintain a target mill head grade of .5 ounces of gold per ton at increased daily mining rates. Additional adits will increase extractive capacity of the mine, ensuring the extra mill feed required to boost mill production. Improved movement of ore and waste underground will serve to reduce costs as longer range planning can be formulated and adopted, while on surface the building of additional and larger ore storage bins will streamline the movement of ore and reduce handling costs. The reduction in mining and milling costs will be as effective on the profitability of the operation, as would an increase in the price of gold.

Exercise of all the warrants will provide the funds for deepening the shaft by at least two levels, and provide for ore and waste passes and the installation of ore and waste pockets on the various levels. The head frame can be modified to allow the employment of skips instead of cars for ore and waste transshipment. These modifications will greatly improve the efficiency and smooth running of the operation, which in turn will reflect in net revenues generated.

If all the plans of management can be achieved, Mosquito Creek will become a truly profitable venture, producing in excess of 20,000 ounces of gold per year. Over 30 years production history of operations at Island Mountain supports the conviction that the mine will have adequate reserves of ore for many years, providing economic operations allow the continuing development of the ore potential considered present.

The fact that substantial blocked out reserves cannot be delineated is not unusual for the Mosquito Creek type of orebody and is not a disadvantage, as is demonstrated by many similar gold mines which after 10-20 years of production continue to have reserves equal to those originally developed. Despite this characteristic, their profitability and longevity is a well-known feature for gold mining in Canada, both past and present.

For a better understanding by shareholders of the potential of the mine, included in this interim report in an updated cross section of the mine area that shows some of the present exploration and development targets and potential future reserves. We look forward to being able to provide confirmation of management's expectations in the next Annual Report to Shareholders.

Assay Oz./ Au Ton	Gold Price Per Ounce Canadian Dollars ($U.S. Approximate)			
	$550 ($440)	$600 ($488)	$700 ($560)	$800 ($640)
	Estimated Operating Profit 12 Month Period (33,600 tons/year)			
0.40	$ 745,920	$1,357,440	$2,580,480	$3,803,520
0.45	1,586,760	2,274,720	3,650,640	5,026,560
0.50	2,442,760	3,192,000	4,720,800	6,249,600

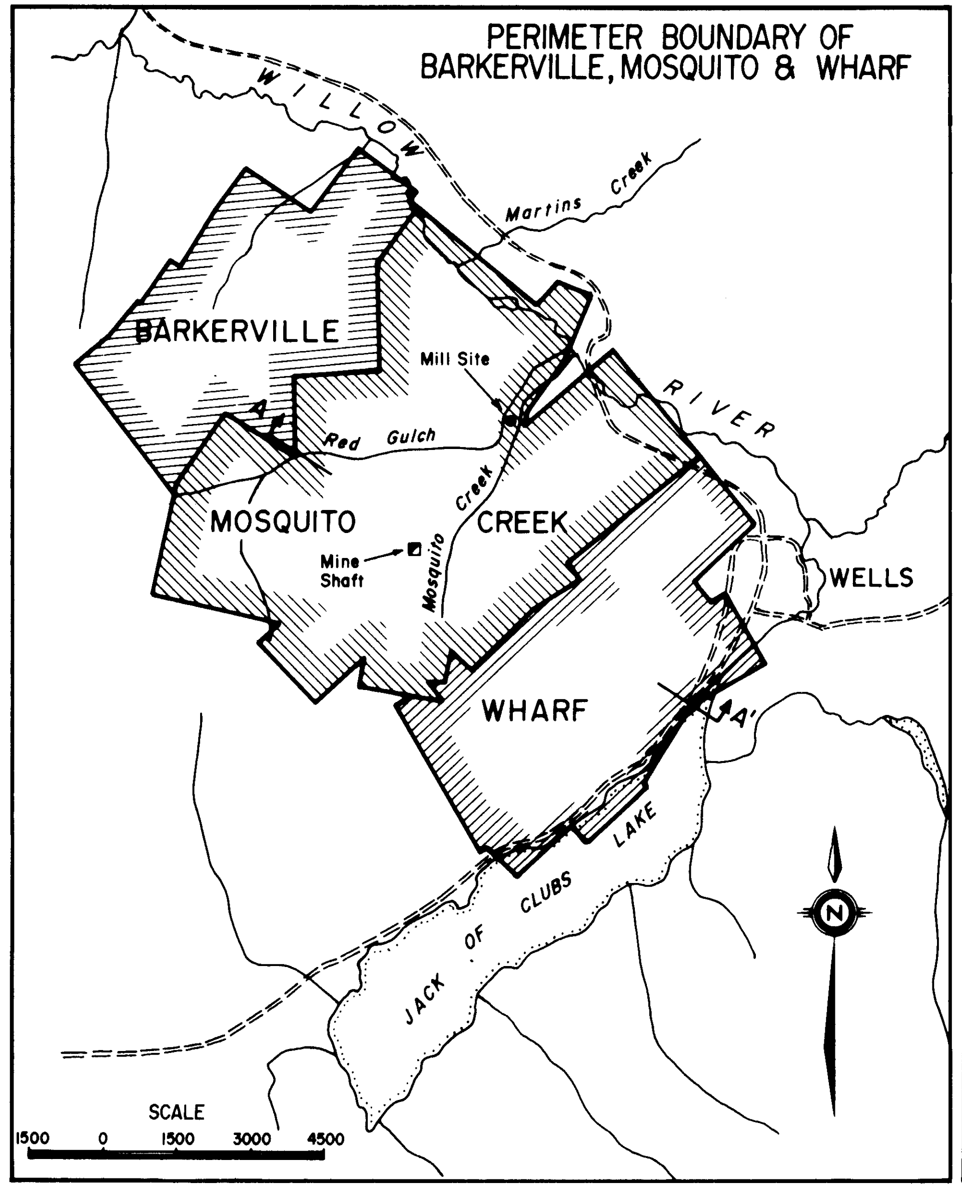
To lend credence to our projected tonnages and grades, the table on the right shows the last seven years of production at the Island Mountain Mine. Our operation at Mosquito Creek is simply an extension of these workings, which during the period 1934 to 1967 produced 559,528 ounces of gold from 1,245, 255 tons of ore.

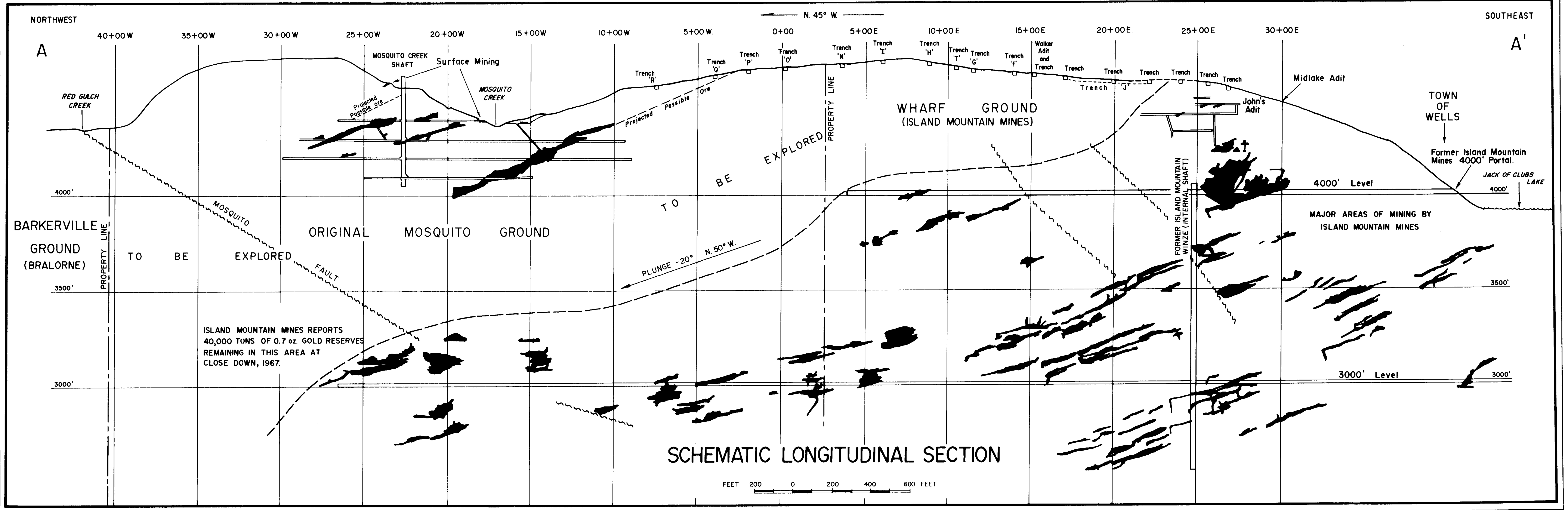
N.B. *With reference to all of the details relating to operations, it should be emphasized that these refer to 100% interest in the mine and that Mosquito Creek is a 50% partner with Peregrine Petroleum Ltd.*

PRODUCTION PERIOD — 1960-1966
Island Mountain Mine

Year	Tons Milled	Average Mill Heads (Oz./Ton)	Gold Ozs. Produced	Average Grade of Tailings	Recovery Per Cent
1960	39,113	.518	19,555	.0182	96.48
1961	37,944	.552	20,243	.0186	96.63
1962	38,638	.500	18,624	.0182	96.36
1963	34,702	.547	18,308	.0191	96.51
1964	32,073	.639	19,867	.0192	97.00
1965	28,862	.660	18,491	.0190	97.12
1966	28,877	.700	20,316	.0190	97.12

Of interest also are the high and increasing grades due at least in part to "highgrading" during the later years when the cost of production approached the fixed price of gold. In any event, we hope by the end of 1983 to be producing at the rate of at least 20,000 ounces of gold per year.





THE MOSQUITO CREEK GOLD MINING COMPANY LIMITED

BALANCE SHEET

as at June 30, 1983

	June 30, 1983 $	June 30, 1982 $
ASSETS		
CURRENT ASSETS		
Cash and term deposits	**1,422,826**	51,682
Accounts receivable	**14,065**	190,773
Inventory	**80,896**	70,548
Prepaid expenses	**12,800**	—
Due from a related party	**22,123**	—
	1,552,710	313,003
PROPERTY, PLANT AND EQUIPMENT	**917,534**	1,777,265
INVESTMENTS IN AND ADVANCES TO AN AFFILIATED COMPANY	**—**	24,000
	2,470,244	2,114,268
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	**290,520**	936,997
Due to shareholder's estate	**—**	270,000
Current portion of obligations under capital lease	**34,184**	20,697
Current portion of long-term debt	**103,229**	—
	427,933	1,227,694
LONG-TERM DEBT	**382,825**	—
DUE TO A RELATED PARTY	**573,349**	—
OBLIGATIONS UNDER CAPITAL LEASE	**73,268**	100,616
	1,457,375	1,328,310
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized—		
15,000,000 shares with a par value of $.50 each		
Issued and fully paid — 5,983,800 shares		
(1982 — 4,783,800 shares)	**2,991,900**	2,391,900
Less discount on shares	**(894,600)**	(894,600)
	2,097,300	1,497,300
CONTRIBUTED SURPLUS	**2,638,105**	1,788,480
DEFICIT	**(3,722,536)**	(2,499,822)
	1,012,869	785,958
	2,470,244	2,114,268

THE MOSQUITO CREEK GOLD MINING COMPANY LIMITED

STATEMENT OF LOSS AND DEFICIT for six months ended June 30, 1983

(with comparative figures for the period ended June 30, 1982)

	June 30, 1983 $	June 30, 1982 $
INCOME		
Mine production	**913,744**	845,624
EXPENSES		
Mine production	**431,089**	379,097
Depreciation, depletion and amortization	**542,680**	751,434
Interest	**79,196**	87,474
General and administrative	**164,986**	47,355
	1,217,951	1,265,360
LOSS FOR THE PERIOD	**304,207**	419,736
DEFICIT — BEGINNING OF PERIOD	**3,418,329**	2,080,086
DEFICIT — END OF PERIOD	**3,722,536**	2,499,822
LOSS PER SHARE	**$0.06**	$0.09

STATEMENT OF CHANGES IN FINANCIAL POSITION for six months ended June 30, 1983

(with comparative figures for the period ended June 30, 1982)

	June 30, 1983 $	June 30, 1982 $
SOURCE OF WORKING CAPITAL		
Provided from operations —		
Loss for the period		
Items not affecting working capital —	**(304,207)**	(419,736)
Depreciation, depletion and amortization	**542,680**	751,434
	238,473	331,698
Reclassification of due to a related party from current to long-term	**573,349**	—
Proceeds from issuance of capital stock	**1,373,625**	—
	2,185,447	331,698
USE OF WORKING CAPITAL		
Additions to property, plant and equipment	**362,293**	369,512
Repayment of obligations under capital lease and increase in current portion of obligation under capital lease	**10,210**	18,609
Repayment of long-term debt and increase in current portion of long-term debt	**54,333**	—
	426,836	388,121
INCREASE IN WORKING CAPITAL	**1,758,611**	56,423
WORKING CAPITAL DEFICIENCY — BEGINNING OF PERIOD	**633,834**	858,268
WORKING CAPITAL (DEFICIENCY) — END OF PERIOD	**1,124,777**	(914,691)

NOTE TO FINANCIAL STATEMENTS

PRIOR YEAR ADJUSTMENT

Certain expenditures relating to the ongoing development of the Company's mining property were expensed as mine production expenses in the prior period. As a result of restating these expenditures, estimated at $300,000, as additions to mining properties, mine production expenses were reduced and depletion increased by the same amount and the deficit decreased by $ nil.

AUDITORS' REPORT

Comments on Unaudited Interim Financial Information

To the Shareholders of The Mosquito Creek Gold Mining Company Limited

We have prepared the accompanying unaudited interim financial information comprising the balance sheet and statements of loss and deficit and changes in financial position for the six month period ended June 30, 1983 from the records of The Mosquito Creek Gold Mining Company Limited 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 December 31, 1982.

The comparative figures for the period ended June 30, 1982, were reviewed by other accountants.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Kenneth B. Blakey
Retired

Cameron J. McFeely
Petroleum and Mining Executive

Robert E. Humphreys
Petroleum and Mining Executive

Rodger A. Tourigny
Petroleum Consultant

Kingsford D. Healey
Economist

OFFICERS

Cameron J. McFeely
President

Rodger A. Tourigny
Vice President

Brian C. Irwin
Secretary

REGISTERED OFFICE

1004 - 595 Howe Street
Vancouver, B.C.
V6C 2T5

EXECUTIVE OFFICE

550 Bow Valley Square 3
255 - 5th Avenue S.W.
Calgary, Alberta
T2P 3G6

MINE OFFICE

P.O. Box 10
Wells, B.C.
V0K 2R0

LEGAL COUNSEL

DuMoulin Black
1004 - 595 Howe Street
Vancouver, B.C.
V6C 2T5

TRANSFER AGENT AND REGISTRAR

Canada Trust Company
Four Bentall Building
1055 Dunsmuir Street
Vancouver, B.C.
V7X 1B1

AUDITORS

Coopers & Lybrand
2400, 255 - 5th Avenue S.W.
Calgary, Alberta
T2P 3G6

BANKERS

The Canadian Imperial
Bank of Commerce
300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

SHARE LISTING

The Vancouver Stock Exchange
Symbol - MQO