

MOUNT GILLES MINING & EXPLORATION LTD.

FIRST QUARTERLY REPORT



for the period ending

December 31, 1983

CONTENTS

Corporate Information	1
Directors Report to Shareholders	1
Mining Operations	2
Other Business	4
Markets	5
Management Report	6
Financial Statement	7-8
Officers and other Personnel	9

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CORPORATE INFORMATION

Mount Gilles is a private Canadian Company, incorporated in the province of British Columbia, whose business is primarily mineral exploration, development and production. The company is authorised to issue 10,000,000 shares without par value, of which 101,700 have been distributed from the first issue of 200,000, the purpose of which was to raise capital. Seven hundred fifty thousand shares have been distributed for mining properties and other consideration. The current number of shareholders total twenty-one.

The company's registered office is that of its corporate lawyer, Mr. I. Meiklem of Meiklem and Harrison, 608-1488 Fourth Ave., Prince George B.C. . Business is conducted from the office of Mr. W. Bulmer, 256 Stellako Ave., Fraser Lake, B.C. . Directors and Officers of the company include Mr. W. R. Bulmer, President and Chairman of the Board of Directors, Mrs. C.E. Bulmer, Secretary-Treasurer and Director, and Mr. R. Fenato, Director.

DIRECTORS REPORT TO SHAREHOLDERS

The Directors are pleased to present this, our first quarterly report. A great deal has been accomplished since the company's incorporation. We are proud of the efforts made by all those working for and associated with the company. We look forward to a successful 1984 season which will be enhanced by the predicted rise in the price of precious metals. We hope that the details of work outlined in the report will prompt you to share our enthusiasm.

MINING OPERATIONS

Summary of Activities

Since the company's incorporation on August 4, 1983, progress has been made in four areas: procurement of relevent government documentation, financing, equipment acquisition and plant development.

Government Documentation

Placer mining is subject to approvals from the Ministries of Environment, Forestry, and Mines. Permits for the use of water, logging of land, and mining were obtained by the end of July 1983 so that mining may, if possible, commence as soon as possible. An additional claim was staked in July to secure ground which will cover the settling pond used for tailings disposal.

Financing

Over fifty thousand dollars (see shareholders equity - balance sheet) was raised through the sale of shares. Because the issue was not completely sold, additional financing was arranged through the Royal Bank of Canada for the sum of forty thousand dollars.

Equipment and Machinery

Equipment and machinery purchased by the company includes:

- 10 ton dual axel dump truck
- 2½ yard front end loader
- 5 yard underground Wagner Scoop Tram (30 ton)
converted for surface use
- 8" X 10" heavy duty diesel powered pump
- 3 ton dump truck with hiab crane
- 1,500 ft. of 6" thin wall steel pipe with fittings
- 3/8 in. steel plate

Most of the heavy machinery was purchased from Craigmont Mines Ltd., Merritt, B.C. . The steel plate was purchased from Endako Mines Division, Placer Development Ltd. Equipment on a two year loan from Mr. Bater includes complete washing plant, (hopper, skiffleboard and sluices), and a Wilfley Concentrating Table. Tools, welding equipment and assorted light equipment are available as per agreement with Mr. Bater. In addition, a D-8 Cat, also owned by Mr. Bater was contracted out when needed.

Mine Site Development

A two to three man living quarters has been upgraded on the site, such that a bathroom has been added and a kitchen refurbished. Most appliances have been purchased and installed.

Approximately 1,200 ft. of new road has been built to provide access from the washing plant to an existing road that leads to the mine area. In addition, the sites for the mill and washing plant have been logged and cleared. Construction of the washing plant is near completion, and has included thus far, the erection of the retaining wall, positioning of the hopper, washing box and sluices. A catwalk along the existing sluices has also been built.

Approximately 1½ acres of timber has been felled to enable removal of the mineralised ground during the 1984 season. The area cleared is based on a through-put of at least fifty yards per day, during an operating season of 150 days.

Large timber has been selectively cut and decked to be used for a bridge that will span Boulder Creek.

PRE PRODUCTION SCHEDULE OF AREAS TO BE COMPLETED

Government Documentation

Application for 1984 permits made and renewed where necessary. In addition, a Five Year Plan will be submitted to the various ministries concerned. Activities proposed will include building of a new access road to Highway 27, a distance of not more than one mile, and the installation of a bridge that will span the narrows of the lower Manson Lake. Approval of the plan will also prompt Forestry to issue a Licence To Cut so that ground to be worked through until 1989 may be logged.

Financing

The company is currently seeking investors for the outstanding shares so that debt to the bank may be reduced and start-up costs next spring may be covered.

Equipment and Machinery

Outstanding equipment to be purchased so that start-up may proceed on time, include various electric motors and a power plant necessary for the operation of the washing plant and mill. Other necessities include fuel, lumber, a compressor and incidentals for the overall completion and operation of the plant.

Other equipment to be aquired during operations include a small pilot size ball mill and components for the Wilfley Concentrating Table.

Mine Site Development

Remaining construction work on the washing plant includes alteration of the hopper sides to accomodate large dump loads, installation of a suitable grizzly, and extension of the sluice to ensure recovery of the tungsten and tin.

All timber fallen on the mineralised ground must be skidded out and decked, stumps piled and burned.

A bridge over Boulder Creek must be built to provide access to the mineralised ground.

The settling pond must be logged off and the ground prepared to accept tailings from the washing plant.

Construction of the mill site, including positioning and repairing of the Wilfley Table, and the installation of a small ball mill, will proceed once production is underway. The schedualled completion of the mill is mid to late summer. Concentrate, until mill start up will be stored in drums. The late start up of the mill will not affect the recovery of the coarse gold. Concentrate will consist largely of tin, tungsten, fine gold and other commodities, some of which may be marketable.

OTHER BUSINESS

Recently, through the Federal Government sponsored Councelling Assistance to Small Enterprise programme, we have retained the services of a business advisor. Mr. Ray Daubney has reviewed our accounting procedures, and advised us on an employee incentive programme based on productivity and profitability. He will also be researching marketing opportunities, financing and investigating Research and Development Grants for which we may qualify.

Through our sponsorship this winter, our Foreman, Mr. Mark Litke, has the opportunity to complete his welders certification. The company is paying for his course as partial payment for the work he did last fall.

Through a misunderstanding with the company's legal secretary, most of the certificates were not dated above the officors signature. This in no way invalidates or alters the authenticity of the document. Registry of the certificate is within the company Minute Book, and only after a resolution is passed by the Board of Directors that such shares may in fact, be issued. However, we would like each shareholder to return the top strip of the certificate which can be detached by tearing along the perforations.

MARKETS

We have contacted several buyers of placer and bullion gold; these include goldsmiths, jewellery designers and the Royal Canadian Mint. We do not foresee any difficulty in marketing the gold.

Research is underway to determine the marketing of tin and tungsten concentrate. To that end, the company will contact The World Tin Council and buyers of tungsten concentrate.

MANAGEMENT REPORT

The management of Mount Gilles Mining & Exploration Ltd. is responsible for the preparation, presentation and integrity of all information in the Quarterly Report.

Management has in cooperation with an independent management service, prepared the company's financial statements in conformity with generally accepted accounting principles consistently applied, and has ensured that financial and operating data in the Quarterly Report are consistent with the financial statements.

The following is an unaudited quarterly financial report ending December 31, 1983.

The report gives a statement of operations, a balance sheet and a shareholder's equity position.

W.R. Bulmer

W. R. Bulmer
President

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MOUNT GILLES MINING & EXPLORATION LTD.

Statement for the first quarter of operations as at Dec. 31, 1983

Income

Bank Interest	\$ 63.82
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Expenses

Salaries	\$ 1,005.00	
Legal and Accounting	856.77	
Travel	2,138.62	
Office	757.91	
Advertising	384.86	
Licences, Permits, Leases	370.00	
Fuel	1,951.66	
Freight and Express	3,450.00	
Vehicle Rental	337.98	
Supplies	637.21	
Maintenance	441.27	
Vehicle Insurance	2,536.50	
Bank charges and interest	1,167.09	
Worker's Compensation	120.29	
		<u>16,155.16</u>

Loss from operations	(\$ 16,091.34)
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MOUNT GILLES MINING & EXPLORATION LTD.Balance Sheet for the first quarter as at December 31, 1983Assets

Cash	\$ 6,284.34
Land	104,331.42
Vehicles	14,962.00
Motor Equipment	42,977.90
Tools and fixtures	350.25
Accounts Receivable	270.00
Incorporation Allowance	792.94
Buildings under Construction	962.74
Repaid Insurance	872.24
	<u>\$171,803.83</u>

Liabilities

Land Agreement for Sale	\$ 90,000.00
Royal Bank Loan	40,000.00
Shareholder's Loan - W. Bulmer	7,051.12
Accounts Payable	<u>1,650.28</u>
	\$138,701.40

Equity Position

Shareholders Issued and Outstanding	\$ 50,850.00
	189,551.40
Less loss from first quarter	<u>16,091.34</u>
	173,460.06
Less loss from disposal of vehicle	<u>1,656.23</u>
	<u>\$171,803.83</u>

The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

Note 1 - Depreciation on buildings and equipment were not taken at this quarter and will be withheld until the operations are underway.

Note 2 - The loss on the disposal of a pickup truck occurred as a result of an accident

Original cost	\$ 8,059.78
Recovered from ICBC	<u>6,403.55</u>
Resultant loss	<u>\$ 1,656.23</u>

Note 3 - The loan from the Royal Bank of Canada, Vanderhoof Branch, in the amount of \$40,000 is repayable as to the interest only at \$451.43 per month until production begins in the late spring of 1984 when the payments will include both interest and principle until payment in full has been accomplished.

Note 4 - The agreement on the property with Mr. Bater is as follows:

Purchase price		\$100,000.00
On execution of agreement	\$5,000	
Sept. 30, 1983	5,000	
June 30, 1984	22,500	
Sept. 30, 1984	22,500	
June 30, 1985	22,500	
Sept. 30, 1985	22,500	

Payment schedules are subject to production levels from the property. Should 500 oz. be extracted, full payment will follow.

OFFICERS and OTHER PERSONNEL of the COMPANY

W.R. Bulmer, President and Chairman of the Board

Mr. Bulmer, an Exploration Geologist by profession, has over the past twelve years been primarily engaged in developing and/or managing exploration programmes for various exploration companies and government agencies throughout Canada. Most recently, he was Exploration Geologist with Placer Development Ltd.'s Endako Mines Division at Endako B.C.

C.E. Bulmer, Secretary Treasurer and Director

Mrs. Bulmer, a teacher and homemaker, has worked both as a cook and sometime expeditor for exploration crews in remote areas of Canada. Most recently, Mrs. Bulmer has been engaged by the College of New Caledonia to teach a Grade 12 equivalency course to adults so that they may achieve their high school diploma.

R. Fenato, Director

Mr. Fenato, a Metallurgical Engineer, is currently working with Placer Development Ltd.'s Endako Mines Division as Supervisor of Operations and Development for their Molybdenite Lubricant Plant. Mr. Fenato brings with him over twenty years of experience within the minerals industry, fifteen of which was with the Iron Ore Company of Canada where he was involved with mill design, product development and quality control. In addition Mr. Fenato has had considerable experience with gravity separation techniques.

In addition to the above officers, other personnel which have contributed to the development of the company thus far include Mr. L.T. Bater and Mr. M. Litke.

L.T. Bater

Mr. Bater, from whom the property was purchased, has agreed to act as consultant during the installation and initial start up of the plant. Mr. Bater has had considerable experience within the mining and development stages of placer operations, both as owner and operator. In addition, during the late 1940's and early 1950's, Mr. Bater was General Superintendent of Operations for a tungsten mine located in north-central B.C. Mr. Bater is retired and resides near Manson Creek B.C. .

M. Litke

Mr. Litke, who acted as Foreman of the surface development, has a strong background in welding, heavy equipment operation and maintenance. Mr. Litke has been largely responsible for the progress of the plant's development thus far. Mr. Litke is currently assisting in and maintaining a private business primarily engaged in logging and heavy equipment contracting.