

**WESTPINE METALS LTD.**  
**1989 ANNUAL REPORT**

## WESTPINE METALS LTD.

TO OUR SHAREHOLDERS:

### INTRODUCTION

Westpine was formed March 10, 1989 and was listed on the Vancouver Stock Exchange on August 14, 1989. The financing was done through a new and innovative technique using redemption rights. Over one million dollars was raised through Canarim Investment Corp., and \$ 273,000 was spent for exploration on the gold-copper molybdenum Taseko property, which is located 140 miles north of Vancouver, British Columbia. The Company is in the initial stages of defining two gold-copper zones in the Empress Showing, one of three major occurrences on the property.

Westpine management is currently reviewing alternate methods for financing work on the Taseko property this year as well as seeking a new high-quality mineral property.

### FINANCING

In early 1989, Alpine Exploration Corporation and Westley Mines Limited agreed to vend their collective interests in the Taseko property into Westpine. When the Company listed on the Vancouver Stock Exchange, Alpine and Westley each held one million shares including 600,000 shares of escrow. As a result, Canarim completed the offering of the new issue, and net proceeds of \$1,037,250 was raised through the sale of 1,500,000 units at \$0.75 per unit. Of these funds, \$540,000 was put into trust for the redemption of up to 900,000 shares.

This issue was unique in that it made use of redemption rights for the first time on the Vancouver Exchange. The units included 900,000 redemption rights. In surrendering one share plus one redemption right, a shareholder is guaranteed the receipt of \$0.60 cents per share from the trust company. The shares may be redeemed up to May 11, 1990.

To date, 856,600 redemption rights have been redeemed at a cost of \$513,960. At the same time, the number of shares issued has decreased from 3.5 to less than 2.65 million. Alpine and Westley still hold a total of two million shares.

### TASEKO PROPERTY

During the 1989 exploration season, geological mapping, soil sampling, prospecting and 6,204 feet of diamond drilling were completed. Additional claims staking has increased Westpine's holdings in the area to over 4,000 acres.

The claims cover three showings: the Empress, Buzzer and Rowbottom. The Company is in the early stages of defining two zones within the Empress Showing known as the 76 and North Zones. Results of the best diamond drill holes of the 1989 season in each of the zones were as follows:

<u>Zone</u>	<u>Hole</u>	<u>Interval</u>	<u>Width</u>	<u>Cu %</u>	<u>Au oz/ton</u>
76	W89-2	87 - 387	300	0.038	0.013
including		194 - 387	188	0.47	0.013
North	W89-12	88 - 714	626	0.29	0.008
including		487 - 714	227	0.57	0.014

Drilling of geochemical soil anomalies, which are large and consistent in nature, suggests they have been transported only a short distance, and studies in the area indicate that the direction of transport has been to the north. As a result, it is thought that the source of the large copper and gold soil anomaly north of the 76 Zone with numerous high grade samples (up to 7.05 copper and 0.030 oz/ton gold) is the 76 Zone, and drilling should continue to the west.

Several soil anomalies including the East, Buzzer-West and Buzzer Zones remain untested.

#### 1990 PLANS

The Company's management is considering various alternatives for financing its 1990 exploration program on the Taseko Property. The Company would like to complete \$300,000 of work which would include 6,000 feet of diamond drilling. At present, the Company is considering financing this project through a private placement as well as the possibility of entering into an option agreement with one of several major companies who have inquired about the property.

The Company is also actively reviewing numerous new properties in the search for a new quality project.

On behalf of the Board of Directors



Willis W. Osborne  
Secretary

March 23, 1990

# **KPMG** Peat Marwick Thorne

Chartered Accountants

2500 - 1177 West Hastings Street  
Vancouver, British Columbia  
Canada V6E 2L9

Telephone (604) 685-3511  
Telefax (604) 661-3031  
File Ref.

## AUDITORS' REPORT

To the Shareholders of  
Westpine Metals Ltd.

We have examined the balance sheet of Westpine Metals Ltd. as at December 31, 1989 and the statement of operations and deficit, mineral property interests and changes in financial position for the period from incorporation on March 10, 1989 to December 31, 1989. Our examination was 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 financial statements present fairly the financial position of the Company as at December 31, 1989 and results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

*Peat Marwick Thorne*

February 12, 1990

WESTPINE METALS LTD.

Balance Sheet

As at December 31, 1989

Assets

Current assets:	
Cash and term deposits	\$ 125,926
Accounts receivable	1,060
Prepaid expenses	2,000
	-----
Total current assets	128,986
Fixed asset, net of accumulated depreciation of \$1,200	4,800
Mineral property interests, per accompanying statement (Note 3)	504,531
Funds held in trust (Note 4(b))	76,200
	-----
	\$ 714,517
	=====

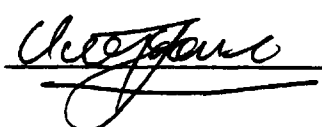

Liabilities and Shareholders' Equity

Current liabilities:	
Accounts payable and accrued liabilities	\$ 5,521
Payable to related companies	2,512
	-----
Total current liabilities	8,033
	-----
Shareholders' equity:	
Share capital (Note 4)	714,720
Contributed surplus (Note 5)	70,730
Deficit, per accompanying statement	(78,966)
	-----
Net shareholders' equity	706,484
	-----
	\$ 714,517
	=====

Property option payments and expenditures (Note 3)  
Subsequent event (Note 7)

See accompanying notes to financial statements.

APPROVED BY THE BOARD:

 Director  Director

WESTPINE METALS LTD.

Statement of Operations and Deficit

From incorporation on March 10, 1989  
to December 31, 1989

General administration and exploration costs written off, being loss for the period	\$ 4,610
Share issuance costs	74,356
Deficit, end of period	<u>\$ 78,966</u>
Loss per share	<u>\$ .002</u>

See accompanying notes to financial statements.

WESTPINE METALS LTD.

Statement of Mineral Property Interests

From incorporation on March 10, 1989  
to December 31, 1989

Exploration, development and property payments (Note 6):	
Analysis and assaying	\$ 20,685
Communications and general office	25,562
Consulting, salaries and wages	67,601
Drilling	139,394
Field and camp supplies	856
Property payments and acquisition costs (Note 3)	229,500
Property staking and maintenance	1,729
Transportation and field accommodation	20,697
	<u>506,024</u>
Administrative:	
Audit	3,500
Depreciation	1,200
Interest (income) expense	(22,462)
Legal	2,012
Office and general	6,098
Printing and promotion	359
Transfer agent and stock exchange	911
Salaries and employee benefits	11,499
	<u>3,117</u>
Net expenditures for the period	509,141
Less: Amounts written off during the period	(4,610)
Mineral property interests, end of period	<u>\$ 504,531</u>

See accompanying notes to financial statements.

WESTPINE METALS LTD.

Statement of Changes in Financial Position

From incorporation on March 10, 1989  
to December 31, 1989

Cash resources provided by (used in):

Operating activities:

Loss for the year	\$ (4,610)
Items not involving cash	
General administration and exploration costs written off	4,610
	-----
	-
	-----

Financing activities:

Issuance of shares for cash	1,237,250
Issuance of shares for property	12,000
Share issuance costs	(74,356)
Redemption of shares	(463,800)
Funds held in trust	(76,200)
	-----
	634,894
	-----

Investing activities:

Purchase of fixed asset	(6,000)
Mineral property interests	(509,141)
Items not involving cash	
Depreciation	1,200
Cash generated from (used for) working capital changes:	
Accounts receivable	(1,060)
Prepaid expenses	(2,000)
Accounts payable and accrued liabilities	5,521
Accounts payable to related companies	2,512
	-----
	(508,968)
	-----

Increase in cash position, being cash position end of period	\$ 125,926
	=====

Cash position is defined as cash and term deposits.

See accompanying notes to financial statements.



WESTPINE METALS LTD.

Notes to Financial Statements

From incorporation on March 10, 1989  
to December 31, 1989

1. Nature of operations:

The Company was incorporated under the laws of British Columbia on March 10, 1989 and commenced operations on March 28, 1989 with the acquisition of the Taseko property.

The Company is in the process of exploring its mineral property interests and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral property interests is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production.

2. Significant accounting policies:

(a) Fixed asset:

The fixed asset is recorded at cost. Depreciation is provided using the straight-line method at a rate sufficient to amortize the cost over the estimated useful life of the asset.

(b) Mineral property interests:

The Company defers the cost of mineral properties, exploration and development expenditures, and administrative expenditures directly related to specific mineral projects or mineral interests until such time as the extent of mineralization has been determined, the mineral properties are either developed or the Company's mineral rights are allowed to lapse. At that time the deferred costs are either amortized on a unit of production basis or written off, as appropriate.

Amounts shown as mineral property interests represent costs incurred to date and do not necessarily reflect present or future values.

3. Mineral Property Interests:

Pursuant to an agreement dated March 28, 1989, the Company acquired an option to earn up to a 100% interest in several mineral claims known as the Taseko property located in the Clinton Mining Division, British Columbia. The option was acquired from Westley Mines Limited and Alpine Exploration Corporation, the Company's significant shareholders, who acquired the option previously from an unrelated third party. Consideration given was \$200,000 cash and 1,200,000 shares (Note 4(c)) of the Company a price of \$0.01 per share, for total consideration of \$212,000. Under the terms of the agreement, as amended, the Company is required to make payments and incur minimum expenditures in accordance with the following schedule.

WESTPINE METALS LTD.

Notes to Financial Statements, continued

From incorporation on March 10, 1989  
to December 31, 1989

3. Mineral Property Interests, continued:

	<u>Property Payments</u>	<u>Minimum Expenditures</u>	<u>Cumulative % Earned</u>
Prior to December 31, 1989	\$ 17,500	\$ 250,000	-
On or before March 1, 1990	17,500	-	25%
Prior to December 31, 1990	25,000	200,000	51%
Prior to December 31, 1991	25,000	250,000	51%
Prior to December 31, 1992	75,000	400,000	100%
	----- \$ 160,000 =====	----- \$ 1,100,000 =====	

4. Share capital:

(a) Authorized:

20,000,000 common shares of no par value.

(b) Shares issued:

In August, 1989, the Company completed a public offering and issued 1,500,000 units for proceeds of \$1,037,250 net of agent's commission of \$87,750. Each unit consisted of one common share, one-half of a transferable series "A" share purchase warrant and six-tenths of a transferable redemption right. One series "A" warrant entitles the holder to purchase one common share of the Company at a price of \$0.90 per share, at any time up to February 12, 1990. One redemption right, together with one common share, may be redeemed at any time up to May 11, 1990, at a price of \$0.60 per share. The Company placed \$540,000 of the public offering proceeds in trust as a reserve for these redemptions. As at December 31, 1989, 127,000 redemption rights remained unexercised and accordingly, \$76,200 remains in trust.

As at December 31, 1989, the total shares outstanding were as follows:

	<u>Number</u>	<u>Amount</u>
Shares issued during the period:		
For cash at \$0.25 per share (Note 4(d))	800,000	\$ 200,000
For cash at \$0.75 per share (net of agent's commission of \$0.0585 per share)	1,500,000	1,037,250
For mineral property interest at a deemed price of \$0.01 per share (Note 4(c))	1,200,000	12,000
	----- 3,500,000	----- 1,249,250
Shares redeemed during the period	(773,000)	(534,530)
	----- 2,727,000 =====	----- \$ 714,720 =====

WESTPINE METALS LTD.

Notes to Financial Statements, continued

From incorporation on March 10, 1989  
to December 31, 1989

4. Share capital, continued:

(c) Escrow shares:

During the period, the Company issued 1,200,000 shares as consideration for the acquisition of the Taseko property (Note 3). These shares were placed in escrow with the first 500,000 shares to be released upon completion of exploration totalling \$3,500,000 and the remaining 700,000 shares to be released upon a decision to place the property into commercial production.

(d) Pooled shares:

The 800,000 shares issued for cash at \$0.25 per share are subject to a pooling agreement. At December 31, 1989, 400,000 of these shares remain pooled. These shares will be released as follows: 200,000 shares in February, 1990 and 200,000 in May, 1990.

(e) Directors' and employees' stock options:

As of December 31, 1989, the Company has granted incentive stock options for directors and employees to acquire 299,000 and 51,000 shares of the Company, respectively. The options are exercisable at prices ranging from \$0.90 to \$1.25 per share and expire August 14, 1991.

5. Contributed Surplus:

During the period, a total of 773,000 shares were redeemed at \$0.60 per share in accordance with the redemption rights described in Note 4(b). Contributed surplus represents the excess of the net proceeds received over the redemption price for the redeemed shares.

6. Related party transactions:

During the period, the Company and certain related companies shared various administration and management costs which benefited the group. In this regard, the Company was charged \$11,531 by Westley Mines Limited, a significant shareholder of the Company.

The Company has an operating agreement with Alpine Exploration Corporation ("Alpine"), a significant shareholder of the Company, under terms and conditions similar to those commonly used in the industry. During the period, the Company paid Alpine a total of \$274,609 for reimbursement of expenses which includes a 10% administration fee pursuant to this operating agreement.

7. Subsequent event:

On February 12, 1990, warrants to purchase 750,000 common shares of the Company expired without being exercised (Note 4(b)).

Subsequent to period end, 39,200 of the redemption rights outstanding at December 31, 1989 were exercised.

**WESTPINE METALS LTD. - CORPORATE DIRECTORY**

**Head Office:**

900 - 475 Howe Street  
Vancouver, B.C. V6C 2B3  
Tel: (604) 689-3923  
Fax: (604) 684-5854

**Directors & Officers:**

**V.J.E. Jones**  
President and Director

**W.W. Osborne**  
Secretary, Vice-President, Exploration and Director

**D. N. Hillhouse**  
Director

**T.A. Richards**  
Director

**Registrar & Transfer Agent:**

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

**Legal Counsel & Registered Office:**

DuMoulin Black  
10th Floor, 595 Howe Street  
Vancouver, B.C. V6C 2T5

**Auditors:**

Peat Marwick Thorne  
2500 - 1177 West Hastings Street  
Vancouver, B.C. V6E 2L9

**Listing:**

Vancouver Stock Exchange  
Symbol WM