

675246

**REDFERN  
RESOURCES  
LTD.**

1988  
Annual  
Report

## **PRESIDENT'S REPORT**

It is with great pleasure that I present to you, on behalf of the Board of Directors, the report of activities of the Company and the audited financial statements for the year ended December 31, 1988.

Redfern has enjoyed considerable success over the past year. The promising developments at the Tulsequah Chief property have moved the Company a step closer to realizing its corporate goal of becoming a producing mining company.



Tulsequah Chief reserves, proven, probable and inferred, increased dramatically last year from 780,000 tons to 2,380,000 tons with a value of about \$250 a ton at current metal prices. We are confident that continued drilling this year will be successful in doubling the inferred reserves to 5,000,000 tons which when defined with in-fill drilling would be sufficient to begin a production feasibility study.

Our success has been made possible through our ability to finance and we have been successful in raising over \$3,800,000 since June of 1987. As a result, the Company has not only been able to meet all of its financial requirements, but has also maintained a healthy treasury and remains debt free.

It is with thanks that I acknowledge the efforts of all those who have contributed to the Company's success.

A handwritten signature in cursive script, reading "John A. Greig". The signature is written in dark ink on a light background.

John A. Greig  
President

PROPERTY REVIEW

TULSEQUAH CHIEF

Redfern has the option to earn a 40% interest in the Tulsequah Chief property by spending \$3,000,000 in exploration by December 31, 1990. The Company has already spent \$2,850,000 and will complete its earn-in at the beginning of the 1989 program, well ahead of schedule.

Following a successful surface drilling program in 1987, last year's efforts focused on underground drilling. The 2800 foot long 5400 level (400 feet above sea level) was rehabilitated, three underground drill stations were excavated and eight diamond drill holes were directed at extending the known ore lenses. Seven drill holes had ore-grade intersections ranging in thickness up to 58 feet and confirmed continuity of mineralization to as much as 700 feet below the levels previously tested.

A reserve calculation, incorporating original proven and probable reserves with drill inferred tonnage from 1987 and 1988, yields a total mineral reserve of 2,380,000 tons grading 2.03% copper, 1.25% lead, 6.28% zinc, 0.075 oz/ton gold and 2.68 oz/ton silver. This amounts to a tripling of the previously established reserves of 780,000 tons. At current prices these metal grades are valued at about \$250 per ton approximately equivalent to 0.5 oz/ton gold.

A \$1,500,000 program of underground development and diamond drilling has been approved for 1989. Cominco Ltd. have committed for their share of these expenditures. The objective of this program will be to extend the ore lenses a further 1,000 feet below the deepest levels tested to date, which could result in a doubling of the current reserves to about 5,000,000 tons. A second phase of exploration would involve in-fill drilling to provide greater definition of ore reserves.



*.075oz = 2.57 gm/t Au*

*2,159,100 tonnes*

*2.03 Cu*

*1.25% Pb*

*6.28 % Zn*

*2.68 g/t Ag*

*91.89 g/t Au*

Map of British Columbia Properties.

# REDFERN RESOURCES LTD.

We anticipate that doubling of existing reserves, to about 5,000,000 tons, will provide a necessary threshold tonnage level sufficient to commence feasibility studies toward a production decision.

The Tulsequah Chief property was in production in the period 1951 to 1957 when 633,000 tons of ore comparable in grade to the present reserves was mined. The mine closed due to low metal prices with remaining in-place reserves of 780,000 tons. Previously, the ore was thought to be structurally controlled. The ore lenses are now known to be stratigraphically controlled which implies a large tonnage potential, possibly as high as 20,000,000 tons.

A legacy of the previous mining operation is that there is good property access via a gravel airstrip located nearby; there is excellent underground access at tremendous cost savings through the existing mine workings; metallurgical recoveries are known to be high and transportation of metal concentrates 40 miles by barge to the deep water port of Juneau, Alaska has been established as viable. These factors all mean a substantial head start for the project.

The Tulsequah Chief is one of North America's best undeveloped base metal-precious metal deposits, and we are justified in our optimism that this project will progress to production.

## TOODOGGONE

In the Toodoggone gold district of central British Columbia, Redfern is a one-third participant in a joint venture which holds four promising gold properties. On one of the properties, the Golden Stranger claims, approximately 12,000 feet of drilling has been carried out over the past two years with promising results. A reserve of 125,000 tons of 0.22 oz/ton gold is already drill indicated and the zone is wide open both on strike and to depth. Of particular significance, this gold

bearing structure is directly similar geologically to the nearby Cheni gold mine. Cheni recently commenced production with reserves of approximately 2,000,000 tons of 0.3 gold equivalent. Reconnaissance programs have also been conducted on the Company's other properties in the area with encouraging results. One newly acquired target, which appears to have considerable size, has produced gold assays up to 0.23 oz/ton and silver assays up to 86 oz/ton.

Access to the Toodoggone gold camp has been enhanced by the completion of the Cheni Gold Mines' supply road and the opening of the mine has provided a potential custom milling centre for nearby ores.

## OTHER PROPERTIES

The Company holds a 25% interest in a promising property in the Savant Lake district of northwestern Ontario. Geological and geochemical programs have identified a nine kilometer long alteration zone typical of those related to volcanogenic base metal-precious metal ore deposits. Limited drilling to date on the target horizon has encountered encouraging base metals and further targets along the horizon remain to be drilled.

Redfern also holds interests in other base metal-precious metal volcanogenic deposits in Ontario and British Columbia.

**AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF  
REDFERN RESOURCES LTD.**

We have examined the consolidated balance sheet of Redfern Resources Ltd. as at December 31, 1988 and the consolidated statements of deferred exploration and administrative expenditures, deficit and changes in financial position for the year then ended. 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 consolidated financial statements present fairly the financial position of the Company as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Signed: "Peat Marwick"

Chartered Accountants

Richmond, Canada

January 27, 1989

# REDFERN RESOURCES LTD.

## Consolidated Balance Sheet

December 31, 1988 with comparative figures for 1987

	1988	1987
<b>Assets</b>		
Current assets:		
Cash and term deposits	\$ 790,489	1,093,586
Accounts receivable	2,984	2,312
Prepaid expenses	1,050	203
Total current assets	794,523	1,096,101
Mineral leases (Note 3)	475,000	479,500
Office equipment, at cost	6,105	6,015
Less accumulated depreciation	3,207	1,202
	2,808	4,813
Deferred exploration and administrative expenditures, per accompanying statement	3,772,501	2,182,710
	\$ 5,044,832	3,763,124
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable and accrued liabilities	\$ 69,740	234,257
Shareholders' equity:		
Share capital (Note 5)	5,403,517	3,936,007
Deficit, per accompanying statement	428,425	407,140
Net shareholders' equity	4,975,092	3,528,867
	\$ 5,044,832	3,763,124

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Signed: "John A. Greig" Director

Signed: "J. Michael Kenyon" Director

## Consolidated Statement of Deferred Exploration and Administrative Expenditures

Year ended December 31, 1988

	Balance at beginning of year	Expenditures	Write-off of lease and properties	Balance at end of year
<b>Exploration and development:</b>				
Mining claims and leases (Note 3):				
Antler Joint Venture	\$ 52,941	477		53,418
Barkerville area joint venture	13,120	280	13,400	-
Hemlo	50,323	94		50,417
Savant Lake (Evans Lake)	104,404	3,607		108,011
Toodoggone	223,362	126,950		350,312
Tulsequah	1,617,169	1,493,250		3,110,419
	2,061,319	1,624,658	13,400	3,672,577
Oil and gas interests (Note 4):				
Innisfail	29,981	120		30,101
Tindastoll	2,216	-		2,216
	32,197	120		32,317
General	60,091	3,233		63,324
Depreciation	9,550	-		9,550
	2,163,157	1,628,011	13,400	3,777,768
<b>Total exploration and development</b>				
Administrative:				
Communications	19,328	4,120		23,448
Depreciation	5,390	2,006		7,396
Legal and audit	127,749	5,982		133,731
Miscellaneous	26,371	16,282		42,653
Office	58,799	13,559		72,358
Rent	74,641	11,956		86,597
Salaries	107,726	15,994		123,720
Transfer agents fees	18,816	3,436		22,252
	438,820	73,335		512,155
Less proportionate write-off of costs as claims lapsed	72,865	-	1,776	74,641
	365,955	73,335	1,776	437,514
<b>Total administrative</b>				
	2,529,112	1,701,346	15,176	4,215,282
<b>Deduct amounts recovered from participants and options</b>				
	41,197	-		41,197
	2,487,915	1,701,346	15,176	4,174,085
<b>Income:</b>				
Interest	273,989	96,252		370,241
Other	31,216	127		31,343
	305,205	96,379		401,584
<b>Net expenditures</b>	<b>\$ 2,182,710</b>	<b>1,604,967</b>	<b>15,176</b>	<b>3,772,501</b>

See accompanying notes to consolidated financial statements.

# REDFERN RESOURCES LTD.

## Consolidated Statement of Deficit

Year ended December 31, 1988 with comparative figures for 1987

	1988	1987
Balance, beginning of year	\$ 407,140	405,480
General and administrative expenditures not allocable to resource properties	1,609	1,660
Write off of mineral claims	4,500	-
Exploration and administrative expenditures on lapsed claims and abandoned property	15,176	-
Balance, end of year	\$ 428,425	407,140

See accompanying notes to consolidated financial statements.



**Consolidated Statement of Changes in Financial Position**

Year ended December 31, 1988 with comparative figures for 1987

	1988	1987
Operating activities:		
General and administrative expenditures not allocable to resource properties	\$ (1,609)	(1,660)
Investing activities:		
Acquisition of mineral claims	—	(475,000)
Shares issued therefor	—	475,000
Exploration and administrative expenditures, net of depreciation	(1,602,963)	(1,575,580)
Net change in accounts payable, accounts receivable and prepaid expenses	(166,035)	226,298
Purchase of fixed assets	—	(6,015)
Cash applied to investing activities	(1,768,998)	(1,355,297)
Financing activities:		
Issue of share capital for cash proceeds	1,467,510	2,313,500
Increase (decrease) in cash and term deposits	(303,097)	956,543
Cash and term deposits, beginning of year	1,093,586	137,043
Cash and term deposits, end of year	\$ 790,489	1,093,586

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements December 31, 1988

### 1. Basis of financial statement presentation:

The accompanying consolidated financial statements include the accounts of Redfern Resources Ltd. and its inactive wholly-owned subsidiary, Redfern Resources Inc.

All significant inter-company transactions and balances have been eliminated.

### 2. Significant accounting policies:

#### (a) Mineral leases and deferred exploration and administrative expenditures:

Amounts shown as mineral leases and deferred exploration and administrative expenditures have been capitalized on an area of interest basis. These expenditures will be charged against income when properties are developed to the state of commercial production, through unit of production depletion. If an area of interest is abandoned or if it is determined that its value is less than book value, the related costs are charged against income in the year of abandonment or determination of value.

These amounts represent costs to date and do not necessarily reflect present or future value.

#### (b) Depreciation:

Depreciation of office equipment is calculated using the declining balance method at the rate of 20% per year.

### 3. Mineral leases and claims:

#### (a) Barkerville area joint venture:

Two placer leases in the Barkerville area of the Cariboo Mining Division, British Columbia were acquired in exchange for 750,000 common shares of the Company with an ascribed value of \$4,500.

During 1988, the Company relinquished its interest in the leases.

#### (b) Hemlo - Ontario:

The Company acquired these claims by staking and has retained a 20% working interest in the property.

#### (c) Antler Joint Venture - British Columbia:

The Company is an 18% participant in a joint venture which holds claims in Central British Columbia.

#### (d) Tulsequah - British Columbia:

In 1980, the Company acquired and retained a 50% interest in certain mineral properties in Northwestern British Columbia ("SEQ Properties"). Pursuant to an agreement completed in 1987, the Company acquired the remaining 50% interest in the SEQ Properties from Comaplex Resources International Ltd. ("Comaplex") in exchange for 1,900,000 common shares (Note 5(e)) of the Company with an agreed value of \$475,000. The shares are subject to an escrow agreement under which 633,333 shares have been released.

Pursuant to an agreement entered into during 1987 with Cominco Ltd. ("Cominco"), the Company transferred the SEQ Properties to Cominco. In exchange for the transfer of these

properties to Cominco, Cominco agreed to pool the SEQ Properties with other adjacent mineral properties held by Cominco (the combined properties are collectively referred to as the "Pooled Properties") and to grant the Company the option of acquiring a 40% interest in the Pooled Properties. The option is exercised by the Company upon funding a total of \$3,000,000 of exploration expenses (by certain target dates ending on December 31, 1990) to be performed by Cominco on the Pooled Properties. If the Company does not meet the funding targets outlined in the agreement, the Company's interest in the Pooled Properties will be fixed at some lesser amount. As at December 31, 1988, the Company has paid and accrued for payment approximately \$2.8 million with respect to the Cominco Agreement.

Upon funding the exploration program referred to in the previous paragraph, the Company and Cominco have agreed to enter into a joint venture whereby the Company will retain a 40% interest in the Pooled Properties if ongoing funding requirements are matched on a pro-rata basis with Cominco.

During 1987, Comaplex Minerals Corp. was granted an option and in 1988 exercised the option to acquire 6-2/3% of any working interest acquired by the Company in the Pooled Properties, by incurring a total of \$200,000 of exploration expenditures on the Pooled Properties pursuant to the Cominco Agreement. During 1988, the Company subsequently acquired the interest held by Comaplex through the issue of 225,000 of the Company's shares. \*

(e) Savant Lake (Evans Lake) - Ontario:

By agreement dated June 1, 1983 the Company entered into a joint venture with International Vestor Resources Ltd. and Cumberland Resources Ltd. to explore and develop certain mining properties in Ontario, known collectively as the Savant Lake (Evans Lake) Properties. The Company has a 25% working interest in the joint venture.

Pursuant to an agreement entered into on June 22, 1988 with Noranda Exploration Company, Ltd. ("Noranda"), the joint venturers granted an option to Noranda to acquire a 50% interest in the properties. Under the terms of the option Noranda is to perform a total of \$1,000,000 of exploration on the properties by certain target dates ending on December 31, 1991. Noranda has a further option to increase its interest to 60% upon performing a further \$500,000 of exploration on the properties by December 31, 1992.

Upon completing the exploration referred to in the previous paragraph, the parties have agreed to enter into a joint venture whereby the Company will retain a 12-1/2% interest in the case of Noranda obtaining a 50% interest (10% in the case of Noranda obtaining a 60% interest) if ongoing joint venture funding requirements are matched on a pro-rata basis.

(f) Toodoggone - British Columbia:

Pursuant to an agreement dated June 30, 1983 between the Company, Western Horizons Resources Ltd. and Sutton Resources Ltd. (collectively referred to as the "Joint Venture"), the Company acquired a 25% interest in certain

# REDFERN RESOURCES LTD.

properties located in the Omineca Mining Divisions. During 1986, the Company increased its interest in these properties to 33-1/3% upon the payment of certain amounts.

Pursuant to an agreement dated June 9, 1987 between the Joint Venture and a third party vendor (the "Vendor"), the Joint Venture has been granted the right to acquire certain properties adjacent to one of the Joint Venture properties and the Joint Venture granted the Vendor a 3% Net Smelter Returns royalty interest, as defined in the agreement, in the combined adjacent properties. Pursuant to the terms of the agreement, the Joint Venture will acquire their interest in the

combined adjacent properties upon the completion of a feasibility report on the combined adjacent properties. If the agreement is terminated by the Joint Venture prior to the completion of the feasibility report, the Joint Venture will deliver title to the combined adjacent properties to the Vendor.

#### 4. Oil and gas interests:

Innisfail - Alberta:

On November 9, 1979 the Company entered into a joint venture agreement whereby for a contribution of 5.0% of costs of a Test Well and 4.33% of the costs of subsequent wells, it received working interests of 4.67% and 4.33%, respectively therein.

#### 5. Share capital:

(a) Authorized share capital consists of 10,000,000 no par value common shares.

Details of shares issued are as follows:

	Number	Amount
Balance, beginning of year:		
Issued for cash	4,015,949	\$ 3,456,507
Issued in exchange for mineral leases (Notes 3(a), 3(d) and 5(e))	2,650,000	479,500
Balance, beginning of year	6,665,949	3,936,007
Issued during year:		
For cash (Note 5(d)), net of share issue expenses	1,344,730	1,359,300
Exchange for mineral properties interest (Note 3(d))	225,000	200,000
Issue expenses		(91,790)
Balance, end of year	<b>8,235,679</b>	<b>\$ 5,403,517</b>

(b) Options outstanding for the purchase of shares in the Company are as follows:

(i) Certain directors of the Company to acquire an aggregate of 63,250 shares at \$0.35 per share until

August 28, 1991 and 230,000 shares at \$0.65 per share until June 28, 1992.

(ii) Certain employees of the Company to acquire an aggregate of 270,000

shares at \$0.65 per share until June 28, 1992 and 15,000 shares at \$0.93 per share until April 21, 1993.

(c) Warrants outstanding for the purchase of shares in the Company, pursuant to the 1988 flow-through share offerings are as follows:

- (i) 5,000 shares at \$1.60 per share until June 7, 1989;
- (ii) 50,000 shares at \$1.60 per share until July 18, 1989; and
- (iii) 250,000 shares at \$1.60 per share until June 28, 1989.

(d) Flow-through share offering:

In 1988, the Company issued 1,344,730 flow-through shares to fund a portion of the Company's 1988 exploration program.

These expenditures qualify as Canadian exploration expenses (CEE) under the Income Tax Act. The Company has renounced in favour of the subscribers any income tax deductions relating to CEE expenditures incurred through the use of funds from this offering.

(e) Escrowed shares:

As at December 31, 1988, 1,266,667 shares issued pursuant to the 1987 acquisition of the 50% interest in the SEQ Properties are held in escrow (Note 3(d)), their release being dependent on the Company incurring certain exploration expenditures. The right to release a further 633,333 escrow shares has been earned as at December 31, 1988.

#### **6. Income taxes:**

As at December 31, 1988, the Canadian Company had available for deduction against future taxable income the following amounts:

Canadian exploration expenditures	\$ 1,734,031
Depletion base	\$ 538,884
Canadian oil and gas properties expenditures (deductible at 10% declining balance basis)	\$ 39,424
Non-capital loss carry forward, expiring in 1994	\$ 4,990

#### **7. Related party transactions:**

The Company has certain common directors and shareholders between, International Vestor Resources Ltd., Comaplex Minerals Corp., Comaplex Resources International Ltd., Cumberland Resources Ltd., Pacific Cassiar Limited and Sutton Resources Ltd., companies with whom the Company has various joint venture interests in mineral leases and claims (Note 3).

#### **8. Subsequent event:**

Subsequent to December 31, 1988:

- (i) 28,250 shares have been issued pursuant to the exercise of a directors option at \$0.35 per share; and
- (ii) The Company has granted an option to buy 40,000 shares at \$1.00 per share until January 25, 1994.

# REDFERN RESOURCES LTD.

## CORPORATE DATA

### DIRECTORS AND OFFICERS:

John A. Greig, M.Sc., P.Geol.  
Director, President & Chairman

George F. Fink, B.Comm., C.A.  
Director & Co-Chairman

J. Michael Kenyon, M.Sc., P.Geol.  
Director & Secretary/Treasurer

F. William Woodward  
Director & Assistant Secretary

Murray W. Pyke, M.Sc., P. Geol  
Director

Jonathan A. Rubenstein, LLB.  
Director

Wayne J. Babcock, B.Sc., P. Geoph.  
Director

Carl R. Jonsson, LLB.  
Director

*partner in Lucero, with  
Jim Dawson  
10 wolf property.*

### HEAD OFFICE:

166-10551 Shellbridge Way  
Richmond, British Columbia  
V6X 2W9

### LEGAL COUNSEL:

Angus, McClellan, Rubenstein & Haslam  
Vancouver, British Columbia

### AUDITORS:

KPMG Peat Marwick  
Richmond, British Columbia

### REGISTRAR AND TRANSFER AGENT:

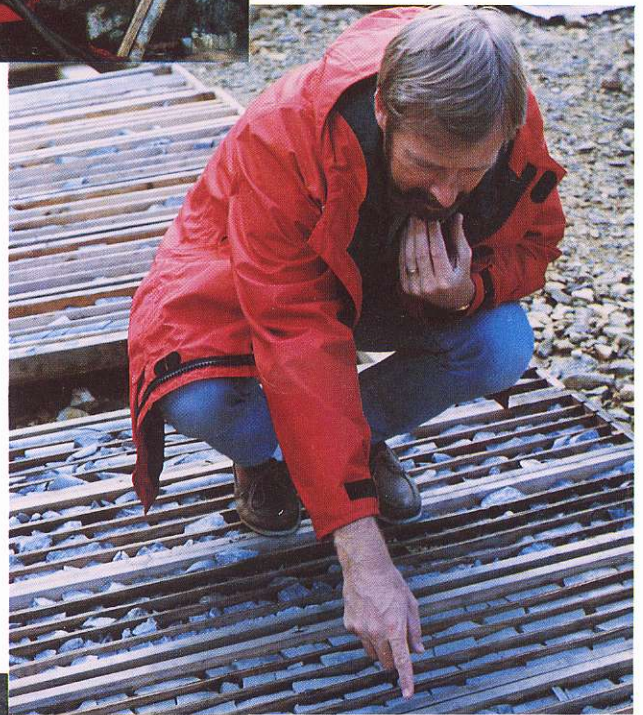
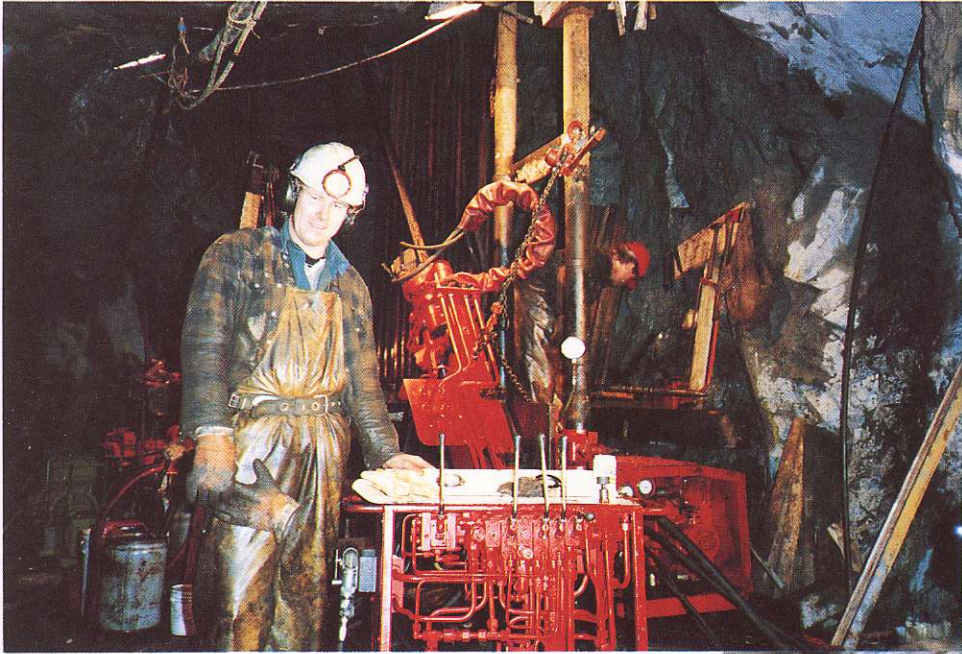
Montreal Trust Company of Canada  
510 Burrard Street  
Vancouver, British Columbia

### STOCK EXCHANGE LISTING:

Vancouver Stock Exchange  
(Symbol RFR)

### SHARE CAPITALIZATION:

10,000,000 Authorized  
8,263,928 Issued



**Redfern Resources Ltd.**  
**166-10551 Shellbridge Way**  
**Richmond, B.C. Canada V6X 2W9**  
**Tel: (604) 278-3028 Fax: (604) 278-8837**