

JOHN C. OSWALD & CO.  
Chartered Accountants

Vancouver, Canada

June 29, 1973.

Auditor's Report

To the Shareholders of  
Twin Peak Resources Ltd.

We have examined the accompanying balance sheet of Twin Peak Resources Ltd. as at May 31, 1973 and the statements of deferred exploration and other expenditures and source and use of funds for the period from December 11, 1972 to that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances except that we were unable to obtain a solicitor's opinion on the company's title to its mineral claims.

In our opinion, except for the foregoing limitation in the scope of our examination, these financial statements present fairly the financial position of the company as at May 31, 1973 and the results of its operations and the source and use of its funds for the period then ended, in accordance with generally accepted accounting principles.

  
Chartered Accountants

TWIN PEAK RESOURCES LTD.

Notes to financial statements

for the period from December 11, 1972 to May 31, 1973

1. AMALGAMATION

On December 11, 1972 Twin Peak Mines Ltd. and Whitesail Mines Ltd. (N.P.L.) amalgamated to form Twin Peak Resources Ltd. Under the amalgamation both companies contributed all their respective assets subject to all their respective liabilities and the issued shares of both companies were exchanged on a 1 for 1 basis for shares in this company.

2. MINERAL CLAIMS

a) Blunt Mountain Joint Venture

This presently includes 10 separate properties situated southwest of Babine Lake, in the Omineca Mining Division, Northern British Columbia.

| <u>Property</u> | <u>No. of mineral claims</u> |
|-----------------|------------------------------|
| Kate            | 107                          |
| Netalzul        | 10                           |
| Gloria          | 32                           |
| Eve             | 22                           |
| Ann             | 64                           |
| Cathy           | 22                           |
| Pam             | 16                           |
| Donna           | 22                           |
| Liz             | 34                           |
| Nora            | 24                           |
|                 | <hr/>                        |
|                 | 353                          |
|                 | <hr/> <hr/>                  |

Acquisition cost of claims presently held -

The 107 Kate claims were acquired for \$7,000 cash and 750,000 shares of capital stock at a deemed price of 10¢ per share \$ 82,000

The 10 claims presently comprising the Netalzul property were acquired for 250,000 shares of capital stock at a deemed price of 1¢ per share 2,500

The remaining 236 claims were acquired by staking.

The above claims are part of the Blunt Mountain Joint Venture and as such are subject to an option agreement with Selco Mining Corporation Limited, whereby that company can earn the following interests by spending the following amounts on an exploration program on these properties or within an adjacent defined joint venture area before March 31, 1977 -

| <u>Property</u> | <u>Interest</u> | <u>Amount</u> |
|-----------------|-----------------|---------------|
| Kate            | 80%             | \$ 2,000,000  |
| Others          | 90%             | 5,000,000     |

forward 

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\$ 84,500

TWIN PEAK RESOURCES LTD.

Notes to financial statements

for the period from December 11, 1972 to May 31, 1973

2. MINERAL CLAIMS (continued)

forward \$ 84,500

b) Babine Joint Venture

This presently includes 7 separate properties situated in the Smithers-Babine Lake area, Omineca Mining Division.

| <u>Property</u> | <u>No. of mineral claims</u>                                   |
|-----------------|--|
| Dorothy         | 146  |
| Diane           | 4  |
| Lynn            | 66   |
| Friday          | 21   |
| Dara            | 16   |
| Donna           | 16   |
| Lon             | 16   |
|                 | <hr style="width: 50px; margin-left: auto; margin-right: 0;"/> |
|                 | 285  |
|                 | <hr style="width: 50px; margin-left: auto; margin-right: 0;"/> |

Acquisition cost of claims presently held -

12 of these claims were acquired for 500,000 shares of capital stock at a deemed price of 1¢ per share 5,000

273 of these claims were acquired by staking

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285

The above claims are part of the Babine Joint Venture and as such are subject to an agreement with Ducanex Resources Ltd., whereby that company, through exploration expenditures, has acquired a 90% interest in these claims and in any further claims staked in the Babine Joint Venture area by either party up to December 31, 1973.

c) Jill Exploration Joint Venture

This presently includes 2 separate properties situated in the Topley Landing region, Omineca Mining Division.

| <u>Property</u> | <u>No. of mineral claims</u>                                   |
|-----------------|--|
| Jill            | 83   |
| Lisa            | 42   |
|                 | <hr style="width: 50px; margin-left: auto; margin-right: 0;"/> |
|                 | 125  |
|                 | <hr style="width: 50px; margin-left: auto; margin-right: 0;"/> |

The above claims are part of the Jill Exploration Joint Venture and as such are subject to an agreement with Cobre Explorations Ltd. It is the intention of the partners to seek an option, farmout or joint venture with a third party to assume further financing with the objective of obtaining a carried or net profits interest, and such interest would be divided 70% to the company and 30% to Cobre.

Acquisition cost of interest in joint venture -

\$9,525 cash and 250,000 shares of capital stock at a deemed price of 20¢ per share

forward

14,525  
\$ 104,025

TWIN PEAK RESOURCES LTD.

Notes to financial statements

for the period from December 11, 1972 to May 31, 1973

2. MINERAL CLAIMS (continued)

forward \$ 104,025

d) Topley Joint Venture

In consideration of the sum of  
the company acquired a 40% interest in the R.J.R. Syndicate which has a 65% interest in the Topley Joint Venture. This joint venture presently owns some 161 mineral claims, collectively called the Red Top Property, which is under option to Ducanex Resources. Under the option agreement the joint venture is entitled to 15% of the net profits realized from commercial production plus certain annual cash payments and the company will receive 26% of these funds.

1

The company's 26% share of the \$7,500 December 31, 1972 option payment received by the joint venture (less \$1,719 fees and expenses) amounted to \$1,503.

e) Sunsets Creek Property

This property, presently consisting of 74 mineral claims, located in the Omineca Mining Division, is subject to an option agreement with Ducanex Resources Ltd. whereby Ducanex can earn up to an 80% interest in these claims.

The 250,000 shares of capital stock originally issued to acquire these claims were transferred within escrow for other claims.

f) Jeanie Property

The 30 claims comprising this property were allowed to lapse and were abandoned during the period from December 11, 1972 to May 31, 1973.

\$ 104,026

3. FIXED ASSETS

No provision for depreciation of fixed assets has been recorded in the accounts.

4. CAPITAL STOCK

a) Capital stock has been issued for the following consideration -

|                    | <u>No. of shares</u> | <u>Net</u>        |
|--------------------|----------------------|-------------------|
| For cash           | 1,620,007            | \$ 303,006        |
| For mineral claims | <u>1,500,000</u>     | <u>82,500</u>     |
|                    | <u>3,120,007</u>     | <u>\$ 385,506</u> |

b) The 1,500,000 shares issued for mineral claims are held in escrow subject to the order of the British Columbia Securities Commission.

TWIN PEAK RESOURCES LTD.

Notes to financial statements

for the period from December 11, 1972 to May 31, 1973

5. DIRECTORS' REMUNERATION

The directors did not receive any remuneration as such during the period from December 11, 1972 to May 31, 1973, however management and exploration fees of \$6,924 were paid and the company's field work was contracted to Evergreen Explorations Ltd., a company owned by Mr. R.W. Woolverton, P. Eng., this company's president.

TWIN PEAK RESOURCES LTD.

Statement of deferred exploration and other expenditures  
for the period from December 11, 1972 to May 31, 1973

EXPLORATION :

|  |                 |
|--|-----------------|
| Blunt Mountain Joint Venture -                       |                 |
| Contract exploration                                 | \$ 18,668       |
| Less recovered from Selco Mining Corporation Limited | <u>(18,668)</u> |
|  | <u>-</u>        |
| Babine Joint Venture -                               |                 |
| Contract exploration                                 | 41,380          |
| Less recovered from Ducanex Resources Limited        | <u>(41,380)</u> |
|  | <u>-</u>        |
| Other prospects -                                    |                 |
| General exploration                                  | 4,598           |
| Net share of option payment received by              |                 |
| Topley Joint Venture                                 | <u>(1,503)</u>  |
|  | 3,095           |
| Deferred balance, December 10, 1972                  | <u>117,706</u>  |
| Deferred balance, May 31, 1973                       | <u>120,801</u>  |

ADMINISTRATION :

|                                     |                          |
|-------------------------------------|--------------------------|
| Management fees                     | 3,462                    |
| Audit and accounting                | 500                      |
| Trust Co. fees                      | 1,362                    |
| Postage, stationery and office      | 617                      |
| Shareholders' information           | 199                      |
| Meetings, travel and promotion      | 742                      |
| Share issue                         | <u>366</u>               |
|                                     | 7,248                    |
| Rental income from housing unit and |                          |
| field equipment                     | <u>(1,185)</u>           |
|                                     | 6,063                    |
| Deferred balance, December 10, 1972 | <u>84,160</u>            |
| Deferred balance, May 31, 1973      | <u>90,223</u>            |
|                                     | <u><u>211,024</u></u>    |
| Total deferred expenditures         | \$ <u><u>211,024</u></u> |

TWIN PEAK RESOURCES LTD.

Statement of source and use of funds  
for the period from December 11, 1972 to May 31, 1973

SOURCE OF FUNDS :

|   |             |
|---|-------------|
| Exploration funds from -  |             |
| Selco Mining Corporation Limited                                | \$ 18,668   |
| Ducanex Resources Limited                                       | 41,380      |
| Net share of option payment received<br>by Topley Joint Venture | 1,503       |
| Rental of housing unit and field equipment                      | 1,185       |
|   | <hr/>       |
|   | 62,736      |
|   | <hr/> <hr/> |

USE OF FUNDS :

|   |             |
|---|-------------|
| Deferred expenditures -                       |             |
| Exploration -                                 |             |
| Blunt Mountain Joint Venture                  | 18,668      |
| Babine Joint Venture                          | 41,380      |
| Other prospects                               | 4,598       |
|   | <hr/>       |
|   | 64,646      |
| Administration                                | 7,248       |
| Amalgamation                                  | 3,551       |
|   | <hr/>       |
|   | 75,445      |
|   | <hr/> <hr/> |
| INCREASE in working capital deficiency        | 12,709      |
| WORKING CAPITAL DEFICIENCY, December 10, 1972 | 28,007      |
|   | <hr/>       |
| WORKING CAPITAL DEFICIENCY, May 31, 1973      | \$ 40,716   |
|   | <hr/> <hr/> |

REPRESENTED BY :

|                     |             |
|---------------------|-------------|
| Current liabilities | \$ 42,456   |
| Less current assets | 1,740       |
|                     | <hr/>       |
| As above            | \$ 40,716   |
|                     | <hr/> <hr/> |

TWIN PEAK RESOURCES LTD.  
Balance sheet, May 31, 1973

ASSETS

|   |                   |
|---|-------------------|
| CURRENT :   |                   |
| Cash  | \$ 1,511          |
| Due from Selco Mining Corporation Limited                     | <u>229</u>        |
|   | <u>1,740</u>      |
| MINERAL CLAIMS (Note 2)                                       | <u>104,026</u>    |
| FIXED, at cost (Note 3) :                                     |                   |
| Housing unit and field equipment                              | 8,068             |
| Office furniture and equipment                                | <u>4,436</u>      |
|   | <u>12,504</u>     |
| DEFERRED CHARGES :  |                   |
| Exploration and other expenditures,<br>per statement attached | 211,024           |
| Incorporation and amalgamation costs                          | <u>6,436</u>      |
|   | <u>217,460</u>    |
|   | <u>\$ 335,730</u> |

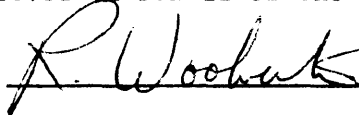
LIABILITIES


|  |               |
|--|---------------|
| CURRENT :                              |               |
| Evergreen Explorations Ltd. (Note 5)   | \$ 40,337     |
| Advance from Ducanex Resources Limited | <u>2,119</u>  |
|  | <u>42,456</u> |

SHAREHOLDERS' EQUITY

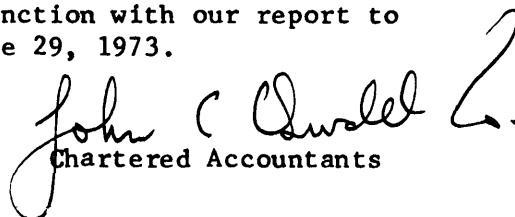
|   |                   |
|---|-------------------|
| CAPITAL STOCK (Note 4) :                                |                   |
| Authorized -<br><u>5,000,000</u> shares of no par value |                   |
| Issued -<br><u>3,120,007</u> shares                     | 385,506           |
| Less DEFICIT, December 10, 1972                         | <u>92,232</u>     |
|   | <u>293,274</u>    |
|   | <u>\$ 335,730</u> |

Approved on behalf of the Board :

  
Director

  
Director

To be read in conjunction with our report to  
the Shareholders dated June 29, 1973.

  
Chartered Accountants