

JOHN C. OSWALD & CO.
Chartered Accountants

Vancouver, Canada


January 19, 1973.

Auditor's Report

To the Shareholders of
Whitesail Mines Ltd. (N.P.L.)

We have examined the accompanying balance sheet of Whitesail Mines Ltd. (N.P.L.) as at December 10, 1972 and the statements of deferred exploration and other expenditures and source and use of funds for the period from January 1, 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 December 31, 1972 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 applied on a basis consistent with that of the preceding year.


Chartered Accountants

WHITESAIL MINES LTD. (N.P.L.)

Notes to financial statements

for the period from January 1 to December 10, 1972

1. AMALGAMATION with Twin Peak Mines Ltd.

Further to an agreement dated July 20, 1972 which was approved by the Shareholders at the September 25, 1972 annual general meeting, the company under date of December 11, 1972 amalgamated with Twin Peak Mines Ltd. to form Twin Peak Resources Ltd., a public company.

Under the agreement both companies are to contribute to Twin Peak Resources Ltd. all their respective assets subject to all their respective liabilities and the issued shares of both companies are to be exchanged on a 1 for 1 basis for shares in Twin Peak Resources Ltd.

2. INVESTMENT in Twin Peak Mines Ltd.

As approved by the Shareholders at the September 25, 1972 annual general meeting the 66,500 free shares of Twin Peak Mines Ltd. held by the company as an investment were transferred to Evergreen Explorations Ltd. at 20¢ per share (\$13,300) to reduce the debt owing to that company.

3. MINERAL CLAIMS

a) Kate claims

As approved by the Shareholders at the September 25, 1972 annual general meeting the 750,000 escrow shares of the company's capital stock originally issued at a deemed price of 10¢ per share for the company's Sunsets Creek property and the Jeanie claims were transferred within escrow in order to enable the company to purchase from Evergreen Explorations Ltd. and Gloria J. O'Brien and Randolph C. O'Brien all their interest in the Kate group, presently consisting of 110 claims, located in the Omineca Mining Division, Northern British Columbia.

Acquisition cost -

Cash	\$ 7,000
750,000 shares of the company's capital stock	75,000
	<hr/>
	82,000

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, dated February 25, 1972. Under this agreement Selco can earn an 80% interest in these claims by spending \$2,000,000 before March 31, 1977 on an exploration program on that property or within an adjacent defined joint venture area. Whitesail's 20% is contributory after Selco has spent the \$2,000,000.

forward

82,000

WHITESAIL MINES LTD. (N.P.L.)

Notes to financial statements

for the period from January 1 to December 10, 1972

3. MINERAL CLAIMS (cont'd) forward \$ 82,000

b) Jill Exploration Joint Venture

During the period from January 1 to December 10, 1972, in consideration of the transfer of the 250,000 escrow shares of Twin Peak Mines Ltd. held by the company as an investment and \$9,525 cash, the company acquired from Evergreen Explorations Ltd. and Travis Surveys Ltd. their interest in the Jill Exploration Joint Venture which presently owns 83 mineral claims and fractions located in the Omineca Mining Division, Northern British Columbia.

Acquisition cost -

Cash (for 625 line miles helicopter mag survey at \$15/line mile and staking and recording costs)	\$ 9,525	
Value placed on 250,000 escrow shares of Twin Peak Mines Ltd.	<u>5,000</u>	14,525

Cobre Explorations Ltd. can earn a 50% interest in this joint venture by spending \$25,000 on the first exploration program in addition to their \$10,000 capital originally contributed.

c) Topley Joint Venture

During the period from January 1 to December 10, 1972 in consideration of the sum of the company acquired from Mr. R.C. O'Brien his 40% interest in the R.J.R. Syndicate which has a 65% interest in the "Topley Joint Venture". This joint venture presently owns some 200 mineral claims, collectively called the Red Top Property, which is under option to Ducanex Resources Limited. 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 Whitesail will receive 26% of these funds.

1

forward \$ 96,526

WHITESAIL MINES LTD. (N.P.L.)

Notes to financial statements

for the period from January 1 to December 10, 1972

3. MINERAL CLAIMS (cont'd)

forward \$ 96,526

d) Sunsets Creek property

This property, presently consisting of 74 mineral claims, located in the Omineca Mining Division, Northern British Columbia, is subject to an option agreement with Ducanex Resources Limited dated August 13, 1970, whereby that company can earn up to an 80% interest in the claims.

During the period from January 1 to December 10, 1972, the 470,000 shares of the company's capital stock that were originally issued to acquire these claims were transferred within escrow for other claims (see Note 3a).

e) Jeanie claims

This property, presently consisting of 30 mineral claims, is located in the Omineca Mining Division, Northern British Columbia.

During the period from January 1 to December 10, 1972, the 280,000 shares of the company's capital stock that were originally issued to acquire these claims were transferred within escrow for other claims (see Note 3a).

\$ 96,526

4. OFFICE FURNITURE and EQUIPMENT

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

5. CAPITAL STOCK

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

	<u>No. of shares</u> <u>(50¢ par value)</u>	<u>Price</u>	<u>Discount</u>	<u>Commission</u>	<u>Net</u>
For cash	2	\$.50	\$	\$	\$ 1
	400,000		140,000		60,000
	150,000		30,000		45,000
	<u>260,000</u>		<u>39,000</u>	<u>13,000</u>	<u>78,000</u>
	810,002		<u>209,000</u>	<u>13,000</u>	<u>183,001</u>
For mineral claims	<u>750,000</u>		<u>300,000</u>	<u> </u>	<u>75,000</u>
	<u>1,560,002</u>		<u>\$ 509,000</u>	<u>\$ 13,000</u>	<u>\$ 258,001</u>

b) The 750,000 shares issued for mineral claims are held in escrow subject to the order of the British Columbia Superintendent of Brokers.

WHITESAIL MINES LTD. (N.P.L.)

Notes to financial statements

for the period from January 1 to December 10, 1972

6. DIRECTORS' REMUNERATION

The directors did not receive any remuneration as such during the period from January 1 to December 10, 1972, however management and exploration fees totalling \$8,075 were charged by Evergreen Explorations Ltd.

Beginning December 1, 1971, all of the activities of Evergreen Explorations Ltd., a company owned by Mr. R.W. Woolverton, P. Eng., this company's president, were shared equally with Travis Surveys Ltd., a company owned by Mr. & Mrs. R.C. O'Brien, but managed solely by Evergreen.

7. SUBSEQUENT EVENT

The company's 26% share of the \$7,500 December 31, 1972 annual option payment by Ducanex Resources Limited to the Topley Joint Venture (less \$1,719 fees and expenses) amounted to \$1,503.

WHITESAIL MINES LTD. (N.P.L.)

Statement of source and use of funds

for the period from January 1 to December 10, 1972

(with comparative figures for year ended December 31, 1971)

	<u>Jan. 1 to Dec. 10/72</u>	<u>Year ended Dec. 31/71</u>
SOURCE OF FUNDS :		
Proceeds from sale of housing unit and field equipment	\$ 100	\$ 5,034
Proceeds from disposal of shares in Twin Peak Mines Ltd. held as an investment	18,300	4,481
Proceeds from transfer of 750,000 shares originally issued for Sunsets Creek property and Jeanie claims	75,000	-
Exploration funds from Ducanex Resources Limited	-	4,265
Interest income	-	347
	<u>93,400</u>	<u>14,127</u>
USE OF FUNDS :		
Deferred expenditures -		
Exploration -		
Sunsets Creek	100	4,298
Jeanie claims	100	4,645
Red Top Syndicate	-	(894)
Other	<u>4,305</u>	<u>2,760</u>
	4,505	10,809
Administration	<u>8,308</u>	<u>14,653</u>
	12,813	25,462
Less loss on sale of equipment (not involving a current outlay of funds)	<u>141</u>	-
	<u>12,672</u>	<u>25,462</u>
Acquisitions -		
Kate claims -		
By cash	7,000	-
By transfer of 750,000 shares of capital stock	75,000	-
Interest in Jill Exploration Joint Venture -		
By cash	9,525	-
By transfer of shares in Twin Peak Mines held as an investment	5,000	-
Interest in Topley Joint Venture	1	-
Shares in Twin Peak Mines Ltd.	-	15,000
	<u>96,526</u>	<u>15,000</u>
	<u>109,198</u>	<u>40,462</u>
DECREASE in working capital	(15,798)	(26,335)
WORKING CAPITAL (DEFICIENCY), beginning of period	<u>(3,401)</u>	<u>22,934</u>
WORKING CAPITAL (DEFICIENCY), end of period	\$ <u>(19,199)</u>	\$ <u>(3,401)</u>
REPRESENTED BY :		
Current liabilities	\$ 19,199	\$ 7,987
Less current assets	-	4,586
	<u>\$ (19,199)</u>	<u>\$ (3,401)</u>

WHITESAIL MINES LTD. (N.P.L.)

Statement of deferred administration

for the period from January 1 to December 31, 1972

(with comparative figures for year ended December 31, 1971)

	Jan. 1 to <u>Dec. 10/72</u>	Year ended <u>Dec. 31/71</u>
Management fees and office salaries	\$ 3,770	\$ 2,821
Shareholders' information and meeting	293	-
Postage, stationery and office	721	1,606
Meetings, travel and promotion	298	924
Office rent, light and cleaning	1,230	3,010
Telephone	120	498
Accounting and audit	700	1,040
Legal	-	1,579
Share issue	608	967
V.S.E. fees	-	2,000
Licences and taxes	427	196
Sundry	141	12
	<u>8,308</u>	<u>14,653</u>
Less interest income	-	347
	<u>8,308</u>	<u>14,306</u>
Deferred balance, beginning of period	42,571	48,733
	<u>50,879</u>	<u>63,039</u>
Less portion transferred to deficit on cancellation of syndicate agreements	-	20,468
Deferred balance, end of period	<u>\$ 50,879</u>	<u>\$ 42,571</u>

WHITESAIL MINES LTD. (N.P.L.)

Statement of deferred exploration and other expenditures
for the period from January 1 to December 10, 1972
(with comparative figures for year ended December 31, 1971)

	<u>Jan. 1 to Dec. 10/72</u>	<u>Year ended Dec. 31/71</u>
EXPLORATION :		
Sunsets Creek -		
Contract exploration	\$ 100	\$ 4,298
Less recovered from Ducanex Resources Limited	<u> -</u>	<u>4,265</u>
	100	33
Deferred balance, beginning of period	<u>41,764</u>	<u>41,731</u>
Deferred balance, end of period	<u>41,864</u>	<u>41,764</u>
 Jeanie claims -		
Government fees	100	200
Engineering, supervision, salaries and wages	-	3,335
Equipment rental	-	530
Equipment operation, field provisions and supplies	<u> -</u>	<u>580</u>
	100	4,645
Deferred balance, beginning of period	<u>11,403</u>	<u>6,758</u>
Deferred balance, end of period	<u>11,503</u>	<u>11,403</u>
 Red Top Syndicate -		
Engineering, supervision, salaries and wages		734
Equipment rental (income)		(220)
Equipment operating, field provisions and supplies		292
Government fees (refunded)		<u>(1,700)</u>
		(894)
Deferred balance, beginning of period		<u>28,533</u>
		27,639
Less transferred to deficit on cancellation of syndicate agreement		<u>27,639</u>
Deferred balance, end of period		<u> -</u>
 Other exploration -		
Scouting	4,305	2,760
Deferred balance, beginning of period	<u>5,529</u>	<u>10,440</u>
	9,834	13,200
Less portion transferred to deficit on cancellation of Pan Syndicate agreement	<u> -</u>	<u>7,671</u>
Deferred balance, end of period	<u>9,834</u>	<u>5,529</u>
 TOTAL DEFERRED EXPLORATION	 63,201	 58,696
TOTAL DEFERRED ADMINISTRATION, per statement attached	 50,879	 42,571
Total expenditures	<u>\$ 114,080</u>	<u>\$ 101,267</u>

WHITESAIL MINES LTD. (N.P.L.)

Balance sheet December 10, 1972

(with comparative figures at December 31, 1971)

	<u>Dec.10/72</u>	<u>Dec.31/71</u>
<u>ASSETS</u>		
CURRENT :		
Cash		\$ 226
Receivable from Ducanex Resources Limited		4,265
Sundry deposits		<u>95</u>
		<u>4,586</u>
INVESTMENT in Twin Peak Mines Ltd. (Notes 2 & 3b)	\$ <u>-</u>	<u>18,300</u>
MINERAL CLAIMS (Note 3)	<u>96,526</u>	<u>75,000</u>
OFFICE FURNITURE and EQUIPMENT, at cost (Note 4)	<u>4,436</u>	<u>4,677</u>
DEFERRED CHARGES :		
Exploration and other expenditures, per statement attached	114,080	101,267
Incorporation costs	<u>1,161</u>	<u>1,161</u>
	<u>115,241</u>	<u>102,428</u>
	\$ <u>216,203</u>	\$ <u>204,991</u>

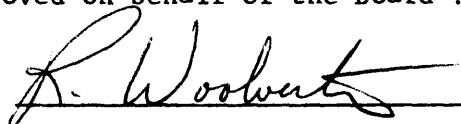
LIABILITIES


CURRENT :		
Evergreen Explorations Ltd. (Note 6)	\$ <u>19,199</u>	\$ <u>7,987</u>

SHAREHOLDERS' EQUITY

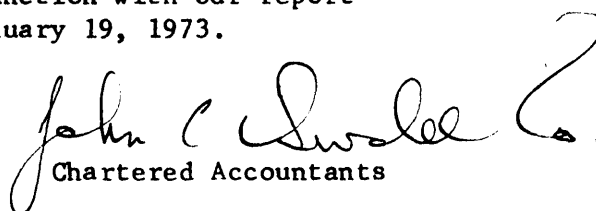
CAPITAL STOCK (Note 5) :		
Authorized - <u>5,000,000</u> shares, par value 50¢ each		
Issued - <u>1,560,002</u> shares	258,001	258,001
Less DEFICIT	<u>60,997</u>	<u>60,997</u>
	<u>197,004</u>	<u>197,004</u>
	\$ <u>216,203</u>	\$ <u>204,991</u>

Approved on behalf of the Board :

 Director

 Director

To be read in conjunction with our report
to the Shareholders dated January 19, 1973.


Chartered Accountants