

KERR ADDISON MINES LIM
P.O. BOX 91
COMMERCE COURT WEST
TORONTO, ONTARIO
M5L 1C7

921

BEAVER RESOURCES' COPPER PROSPECT

HIGHLAND VALLEY, B.C.

JUNE 1984

COPY

820319

EDB.
P.B.
J.K.C.
A.H.C.
P.S.C.
D.M.H.
D.A.L.
J.B.S.
FILE

Mr. S. Val Donovan
Vice President
Finance and Investor Relations
Beaver Resources Inc.
Suite 612
475 Howe Street
Vancouver, British Columbia
V6C 2B3

Dear Mr. Donovan:


Thank you for your letter of May 23rd addressed to Mr. Bayer in which you outlined some of your current activities.

Our regional geologists have been made aware of your proposals and especially your Hare project in British Columbia which you brought to our attention. If any are of interest to us we will certainly contact you.

Thank you for contacting us and the best of luck on all of your ventures.

Yours truly,

KERR ADDISON MINES LIMITED


P. Bojtos, P. Eng.
Manager of Project Engineering

PB/sm

cc: I. D. Bayer

W. R. Woodard } Marked
R. A. Dujardin } June 14
SM

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June 12, 1984

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Vice President
Finance and Investor Relations
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Suite 612
475 Howe Street
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V6C 2B3

Dear Mr. Donovan:


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Manager of Project Engineering

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cc: I. D. Bayer

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SM

BEAVER RESOURCES INC.



MAY 25 1984

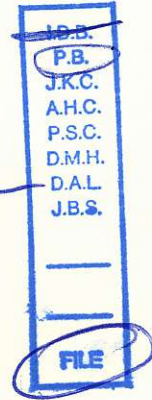
Suite 612, 475 Howe Street • Vancouver, British Columbia • Canada V6C 2B3 • Telephone (604) 669-0380 • Telex: 04-355873

Done,

May 23, 1984

Kerr Addison Mines Ltd.,
P.O. Box 91,
Commerce Court W.,
Toronto, O.N.
M5L 1C7

Attention: Mr. I.D. Bayer,
President and Chief Executive Officer



Dear Mr. Bayer:

I read with interest your comments to the Northern Miner in the May 17, 1984 issue.

You mentioned that you are seeking joint ventures with smaller exploration firms, with emphasis placed on grass roots projects.

BEAVER RESOURCES has in excess of 20 mineral properties that may fit your criteria.

We have an interesting copper prospect in the Highland Valley region of British Columbia comprised of approximately 18,000 acres. We have completed some preliminary investigation that we would be pleased to discuss if you are interested.

At this time we have farm out agreements with British Petroleum and Exxon. The agreement with B.P. takes in a 4,000 acre micron gold property in Southern California, and the Exxon agreement involves a silver-lead-zinc property in North-eastern Nevada. We have a number of other prospects that are large tonnage situations.

I have enclosed our Annual Report for your perusal. Should any of our properties interest you, please do not hesitate to contact us.

Yours truly,

BEAVER RESOURCES INC.
per:

S. Val Donovan
S. Val Donovan
Vice President,
Finance and Investor Relations

SVD/da

BEAVER RESOURCES INC.

Suite 612, 475 Howe Street • Vancouver, British Columbia
Canada V6C 2B3 • Telephone (604) 669-0380

S.V. (VAL) DONOVAN
Vice President - Finance and Investor Relations
Residence: (604) 985-6545

BEAVER RESOURCES INC.



Annual Report 1983

Corporate Profile

Beaver Resources Inc. has, since incorporation in 1978, focussed most of its energies on mineral exploration. Cash flow from Beaver's fifteen oil and gas wells, allows the Company to maintain aggressive exploration programs on its twenty mineral properties, four of which are joint-ventures with or farmed out to major U.S. and European companies. The company has mineral properties in Nevada, California, British Columbia and the Yukon, and oil and gas properties in Ohio, West Virginia, Oklahoma and Montana.

Head Office

Suite 612, 475 Howe Street,
Vancouver, B.C. V6C 2B3

Registered Offices

3rd Floor, 157 Water Street,
Vancouver, B.C. V6A 1B8

Field Office

P.O. Box 313,
Wells, Nevada 89835

Telephone

(604) 669-0380

Telex

04-355873

Company Auditors

Yada, Tompkins, Humphries,
Palmer & Co.

Registrar & Transfer Agents

Guardian Estates & Agencies Ltd.
Suite 404, 470 Granville Street,
Vancouver, B.C. V6C 1V8

Capitalization

Authorized:

100,000,000 Class A Preferred \$10 P.V.
100,000,000 Class B Preferred \$50 P.V.
100,000,000 Common Shares W/P.V.

Issued Only:

5,355,705 Common (1,554,165 escrowed)

Listings

VSE (Vancouver, B.C.),
OTC (New York, N.Y.)
Trading Symbol — BGIV

Stock Price

High: \$2.05 Low: \$0.65

Annual General Meeting

June 29, 1984

Directors

James Michael Blair
Barrister and Solicitor
Patrick James Beirne
Barrister and Solicitor
James Kaj Byberg
Businessman
Dr. James William Kerr
Geologist
Dr. George Harold Laycraft
Mining Executive
Lloyd Whallen
Retired

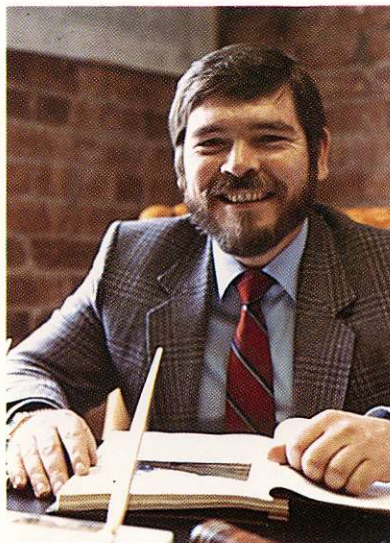
Officers

James Michael Blair
President and C.E.O.
Patrick James Beirne
Secretary/Treasurer
S. Val Donovan
Vice President,
Finance and Investor Relations

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Mineral Properties	5
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President's Report



Mr. James (Jim) Michael Blair,
B.A., LLB.
President and Director

Mr. Blair was called to the bar in 1970, and joined the Prosecutor's Office for the City of Vancouver, where he worked for two and half years. He then branched out into criminal defence work, continuing to do specialized prosecutions for the Attorney General's Office. Mr. Blair also included the practise of labour law in his experience, enhancing his negotiative skills. During much of this time, he was administrator of his law firm. In 1978 Mr. Blair began to specialize in the natural resource field, an interest which led to the establishment of Beaver Resources. He brings to the Company a keen perception of natural resource administration, backed by diverse experience and an excellent professional reputation.

Your Board of Directors have expended most of their energies during the past year toward corporate reorganization and financing. In effect, the result is the consolidation or amalgamation of four separate companies, International Trojan Explorations Inc., Centurion Exploration Inc., Goldquest Exploration Ltd. and the former Beaver Resources Inc. under the present company, Beaver Resources Inc. The merit of this course of action will become readily apparent over the coming year.

Beaver now owns varying interests in 15 oil and gas wells and controls 20 separate precious and base metal properties. The strength of these properties is exemplified by the continuing interest of major U.S. corporations in farmouts and joint ventures. We presently have agreements with Scanmining Inc., Nicor Mineral Ventures Inc., Amselco Exploration Inc., a subsidiary of The British Petroleum Company, and Exxon Corporation. Discussion and evaluation of other properties are presently taking place.

We welcome the additions of Dr. G.H. Laycraft and Dr. J.W. Kerr to the Board of Directors, and Joe Breen, manager of our field office in Wells, Nevada. Dr. Laycraft brings to our Company over twenty years experience in the mineral exploration field. Dr. Kerr, a Ph.D. in Geology, has been active in mineral exploration and the oil and gas field for the last nineteen years, and Joe Breen, B.Sc., M.Sc., D.I.C., is an internationally renowned structural geologist.

Our financial statements cover a seven and half month period due to the amalgamation with Centurion on June 11, 1983. Our cash flow for that period is strong, with an operating income of \$73,554.00. Beaver experienced higher than normal operating costs due to the reorganization, but these costs should decrease substantially during the coming year. This, together with substantially higher anticipated revenues, should result in a turnaround to profit — a goal reached by few mineral exploration companies, but well within grasp for Beaver.

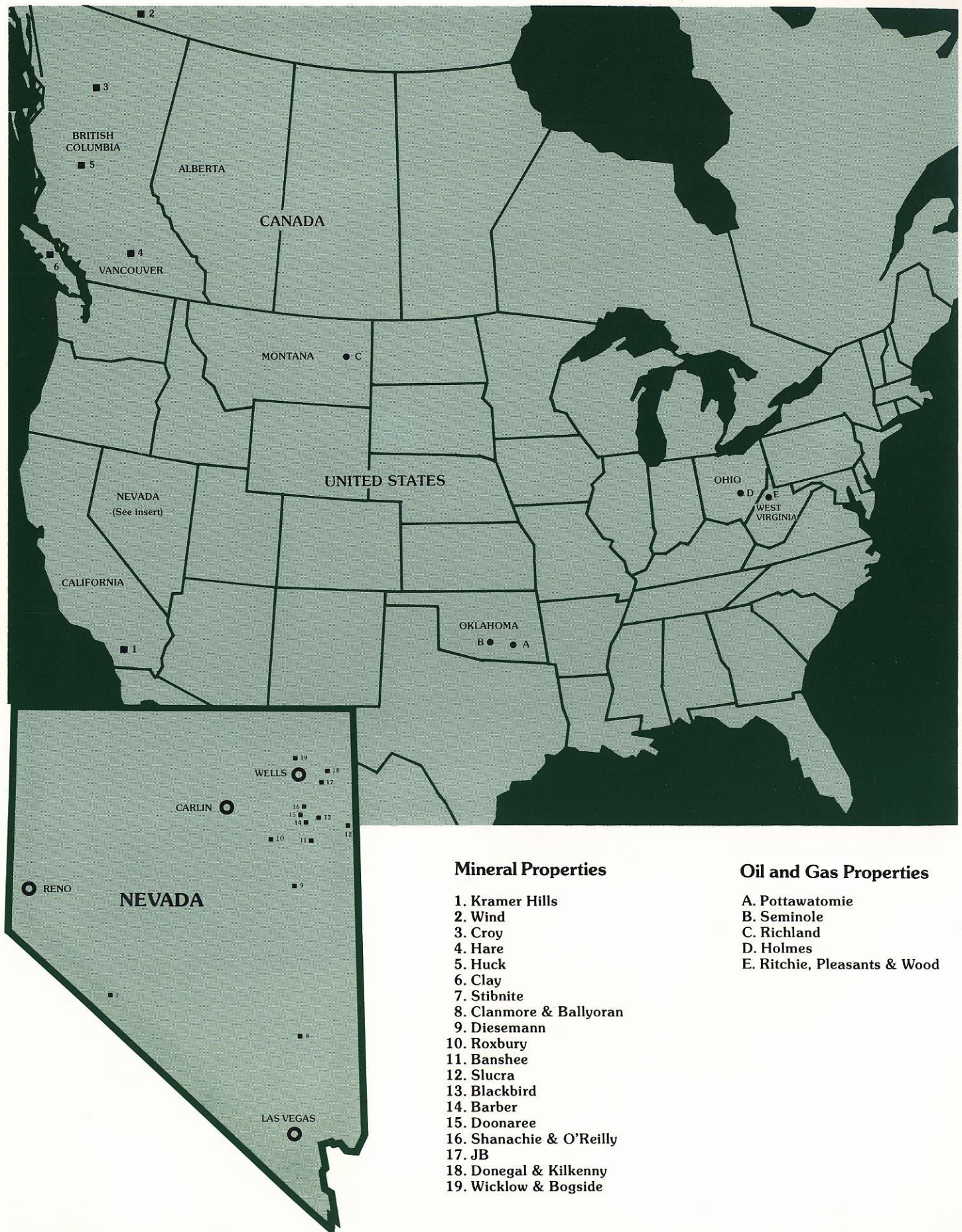
During the coming year, the main emphasis of your Board of Directors will shift to enhancement of the mineral properties presently owned. This will be accomplished through various exploration programs, including drilling of selected properties, and continued negotiations with large corporations for farmouts. The Board is also actively pursuing the acquisition and staking of other strong properties.

We wish to extend our thanks to our shareholders for your support through this reorganization period. We anticipate that with your continued interest during the coming year, we will begin to enjoy the benefits from the foundation building of 1983.

On the behalf of the Board of Directors:

President and Chief Executive Officer
Vancouver, B.C.
April, 1984

Geographical Locations



Mineral Properties

1. Kramer Hills
2. Wind
3. Croy
4. Hare
5. Huck
6. Clay
7. Stibnite
8. Clanmore & Ballyoran
9. Diesemann
10. Roxbury
11. Banshee
12. Slucra
13. Blackbird
14. Barber
15. Doonaree
16. Shanachie & O'Reilly
17. JB
18. Donegal & Kilkeny
19. Wicklow & Bogside

Oil and Gas Properties

- A. Pottawatomie
- B. Seminole
- C. Richland
- D. Holmes
- E. Ritchie, Pleasants & Wood

Review of Operations

Oil and Gas Properties

Beaver's entry into the oil and gas field has contributed significantly to its positive cash flow position, allowing its mineral exploration division to expand rapidly. Currently, our revenues from oil and gas are in excess of \$16,000 per month. It is the Company's present intention to complete the Pottawatomie offset well this year and drill two more offset wells in Seminole County. Other shut-in wells will be brought on stream as soon as possible.

The Oil and Gas Properties Table represents Beaver's presently producing or producible properties:

Prospects	Well	Working Interest	Net Revenue Interest	Produced to Jan. 31/84	Present Production Rate	Estimated Reserves Remaining
Pottawatomie (80 acres)	State 2A	11.66%	8.75%	136,498 BBLS	80 BOPD	118,502 BBLS
	State 3A	11.66%	8.75%		Completion 1984	Unavailable
Seminole (120 acres)	Rambler #1	5.00%	3.75%	23,766 BBLS	12-16 BOPD	54,434 BBLS
	Rambler #2	5.00%	3.75%		Shut-In	Unavailable
Richland (640 acres)	Larson #1	23.00%	18.75%	86,101 BBLS	25 BOPD	41,294 BBLS
	Zadow #1	23.00%	18.75%		10 BOPD	13,644 BBLS
Holmes (80 acres)	Maynard #3A	20.3125%	17.7734%	2,146 BBLS	10 BOPD	11,354 BBLS
	Hennis #1	20.3125%	17.1386%		Completion Apr. 1984	4,000 Mcf
	Yoder #1	20.33125%	16.7578%		30 MCFD	97,000 Mcf
	Uhl #1	20.3125%	17.7733%		6 BOPD	5,000 BBLS
Ritchie Pleasants & Wood (150 acres)	Hammet #H1156	6.25%	4.5%		Completion July 1984	6,400 BBLS
	Elliot #H1191	6.25%	4.3047%		Shut-In	117,000 Mcf
	Shields #H1137	6.25%	4.5%		Shut-In	4,000 Mcf
	Ammerzine-Jane #H1212	6.25%	4.5%		Shut-In	98,000 Mcf
	Cunningham #H1141	6.25%	4.5%		Shut-In	6,400 BBLS
						Unavailable
						Unavailable
						Unavailable
						Unavailable
						Unavailable

Dr. J. William (Bill) Kerr, Ph.D., P.Geol. Director

Dr. Kerr was instrumental in the development of Goldquest Exploration Ltd., which was taken over by Beaver in 1983. Dr. Kerr is a Director of Beaver, and provides geological consultancy services to both the petroleum and mining industries.

After two years on the teaching faculty of Queens University, in Kingston, Ontario, Dr. Kerr became a research scientist with the Geological Survey of Canada, where for nineteen years he worked on a wide range of geological projects in the Canadian Arctic. He has published over eighty research papers; lectured widely in North America and abroad, and has organized several international scientific symposia.

In recognition of his accomplishments and service, the Canadian Society of Petroleum Geologists has presented Dr. Kerr with three top awards. His distinguished career continues through his consulting firm and through his significant involvement with Beaver Resources.

Nevada Field Report

Goldquest, Inc., a wholly-owned subsidiary of Beaver Resources Inc., has been engaged in mineral exploration in the State of Nevada since February 1981. The main thrust of the exploration program has been to acquire precious metal and base metal properties with good-sized potential, and consequently, Beaver has avoided small vein-type mineralization with limited tonnage potential. The 13 mineral properties owned by Goldquest, Inc. are conveniently divisible into three groups:

- I. Carlin-type gold properties, in which micron-sized particles of gold occur as widely disseminated granules in carbonate host rock. Such deposits are characteristically low-grade; large tonnage; amenable to open pit mining methods; and are virtually synonymous with Nevada in mining circles. An example of this type of property is the Stibnite claims (35 claims, 700 acres). This property is near Mina, Mineral County, Nevada. A strong vein system, which is exposed intermittently over a strike length of 1½ miles, cuts sediments and metavolcanics of Permian Triassic Age and locally hornblende rhyolites of Pliocene Age. The vein is variable in width from 60 feet to four feet and is ubiquitously characterized by the presence of argillic alteration and chalcidonic quartz veins and stibnite. Assays record values up to 3.86 oz/ton silver, .02 oz/ton gold over a width of four feet. This mineral assemblage clearly indicates the top of a gold-silver-hydrothermal system, and it is intended to test the downward extension of the vein by diamond drilling. Other micron gold properties controlled by Beaver are the Donegal-Kilkenny (1,800 acres), the Clanmore-Ballyoran (52 claims, 1,048 acres), the Blackbird (28 claims, 564 acres), and the Slucra (68 claims, 1,370 acres).
- II. Massive sulphide-zinc-silver-lead properties which may be hosted in carbonates or shales. The search for these deposits is a new item in Nevada, but is receiving increasing attention from many major mining companies. These deposits are stratiform, high-grade zinc deposits with a high silver content and are comparable to both the Selwyn Basin deposits of Canada and the Irish deposits. An example of this type of property is the JB claims (14 claims, 280 acres). This property is located 15 miles east of Wells, Elko County, Nevada. Stratabound gossans assaying 5.5% lead, 1.4% zinc, 0.72 oz/ton silver are exposed in the core of a synform developed in highly folded and metamorphosed limestones, dolomites, and quartzites. The thickness of the mineralized horizon varies from four feet on the limb of the synform to 10 feet in the core. Little work has been done on this property and a priority will be to produce a detailed structural map and subsequently run an IP survey. Other stratiformed properties of this type controlled by Beaver are the Shanachie-O'Reilly (61 claims, 1,229 acres), the Barber (28 claims, 578 acres), the Diesemann (16 claims, 322 acres), and the Wicklow-Bogside (31 claims, 620 acres).
- III. Mississippi-Valley type zinc-lead-silver. These deposits commonly occur in dolomites or limestones of Paleozoic Age. Mineralogy is simple with sphalerite and galena being the main ore minerals, often in a pyrite, barite, or fluorite gangue. The Nevada deposits fit the generalized model, but diverge somewhat from it; containing abnormally high concentrations of silver. An example of this type of property is the Doonaree (47 claims, 940 acres). This property lies 33 miles south of Wells, Elko County, Nevada. A zone of brecciation developed along the axial trace of an open anticline is the locus of extensive lead-zinc-silver-barite-fluorite mineralization. The limestones hosting the mineralization are late Permian in age and immediately underlie a major, local and regional unconformity at the Permian-Triassic Boundary. Such a situation is classic for the development of stratabound lead-zinc-silver deposits that may be developed in breccias formed during early triassic karsting. Geophysics is recommended to delineate drill targets. Other properties of this type controlled by Beaver are the Banshee (42 claims, 846 acres), and the Roxbury (26 claims, 524 acres).

Joint Ventures and Farmouts

1. Kramer Hills, California

This property consists of patented and unpatented mining claims covering in excess of 4,000 acres and is presently farmed out to Amselco Exploration Inc., a subsidiary of The British Petroleum Company. Under the agreement, Amselco must make option payments to Beaver totalling \$1.1 million dollars (CDN) over the next two years. Approximately \$730,000 (CDN) of these payments pass through to the original owners of the property to purchase their remaining interest. Amselco must also expend \$9,000,000 (CDN) over the next eight years to earn a 73% interest in the claims. This property is thought to be of tertiary hot-springs origin and contains widespread low-grade gold values on surface ranging up to .19 oz/ton gold in an old pit. Twelve 40 pound samples taken in an old shaft averaged .076 oz/ton gold. A small drilling program returned values as high as .46 oz/ton gold over five feet. Amselco has a large trenching and drilling program underway.

2. Shanachie-O'Reilly, Nevada

This property previously mentioned in the Nevada field report has been farmed out to Exxon Corporation. At the time of writing, all terms had been agreed to and final signatures have been obtained. Exxon has made a downpayment of \$19,000 (CDN) with annual option payments of \$12,500 (CDN). Exxon must also expend a minimum of \$125,000 (CDN) in the first year and a further \$5,500,000 (CDN) during the next seven years in graduated amounts to earn a 73% interest. This property is a stratiform silver, lead, zinc, property with large tonnage potential.

3. Donegal-Kilkenny, Nevada

This property is joint ventured with Nicor Inc. Beaver maintains a 40% interest in the 600 acres. Two outcropping jasperoids were trenched and returned ore grade values of .055 oz/ton gold across 15 feet. A small drilling program covering an area 800 feet by 300 feet encountered scattered minor gold values. A follow-up drilling program is being discussed.

4. Ballyoran-Clanmore & Lineament, Nevada

A farmout agreement has been entered into with Scanmining Inc., a subsidiary of the Scandinavian Trading Co. This project is a search for micron gold mineralization. Scanmining must expend \$156,000 (CDN) in order to earn a 50% interest in the Ballyoran-Clanmore property and any other properties staked within a very large area of interest.

British Columbia and Yukon

1. Wind

In early 1983, Beaver acquired the Wind claims (30 claims, 1,850 acres). They abut claims where Regional Resources is developing a large high-grade stratiform silver, lead, zinc deposit in north eastern B.C. A preliminary reconnaissance geochemical program followed by a VLF-EM survey, was carried out last fall. Anomalous geochemical values in silver, lead, and zinc were encountered coincidental with a broad VLF-EM conductive zone. A program to further delineate this zone is planned for this year.

2. Croy

The Croy claims (12 claims, 120 acres) encompass a series of veins bearing high grade copper, gold, and silver. In the early 1970's, El Paso Mining conducted an exploration program including diamond drilling. This program resulted in drill indicated 80,000 tons of 3% copper, .16 oz. gold/ton, and .5 oz/ton silver. Further infill drilling should delineate 300,000 tons of similar grade.

Mineral Properties



Mr. Joseph (Joe) Breen,
B.Sc., M.Sc., D.I.C.
Exploration Manager

Mr. Breen was exploration manager of Goldquest Exploration Ltd. from 1981 to 1983 and was responsible for acquiring and developing all the Company's mineral properties in Nevada. He has had varied and widespread experience in mineral exploration and production. Mr. Breen has worked on mines in Canada, the United States, Ireland, Spain, Portugal, Brazil, Bolivia and Argentina. While in Argentina, Mr. Breen acted as a consultant to the United Nations and discovered an economic ore body which has now passed the feasibility stage. He also discovered a second ore body which is now in production. Mr. Breen is widely respected and is universally acknowledged to have exceptional geological ability.

Project Name	Acreage	Type of Deposit	Percentage Interest	Operator
Kramer Hills	4,100	micron gold	100%	Amselco Exploration Inc. (Can earn 73%)
Donegal & Kilkenny	1,800	micron gold	40%	Nicor Mineral Ventures, Inc.
Clanmore & Ballyoran	1,048	micron gold	100%	Scanmining Inc. (Can earn 50%)
Lineament		micron gold	100%	Scanmining Inc. (Can earn 50%)
Shanachie & O'Reilly	1,229	stratiform massive sulphide silver-lead-zinc	100%	Exxon Corp. (Can earn 73%)
Doonaree	940	Mississippi Valley silver-lead-zinc	100%	Beaver Resources Inc.
Slucra	1,370	micron gold	100%	Beaver Resources Inc.
JB	280	stratiform massive sulphide silver-lead-zinc	100%	Beaver Resources Inc.
Banshee	846	Mississippi Valley zinc-lead-silver	100%	Beaver Resources Inc.



	Project Name	Acreage	Type of Deposit	Percentage Interest	Operator
	Barber	578	stratabound lead-zinc-silver and gold	100%	Beaver Resources Inc.
	Blackbird	564	micron gold	100%	Beaver Resources Inc.
	Wicklow & Bogside	620	stratabound lead-zinc-barite	100%	Beaver Resources Inc.
	Diesemann	322	stratabound lead-zinc-silver	100%	Beaver Resources Inc.
1. Micron-sized particles of gold occur as widely disseminated granules in carbonate host rock.	Roxbury	524	narrow high-grade lead-silver veins	100%	Beaver Resources Inc.
	Wind	1,850	silver-lead-zinc-barite	100%	Beaver Resources Inc.
2. Stratiform massive sulphide-zinc-silver-lead properties may be hosted in carbonates or shales. The search for these deposits is receiving increasing attention in Nevada.	Croy	120	gold-copper-silver veins	100%	Beaver Resources Inc.
	Hare	18,000	porphyry copper	100%	Beaver Resources Inc.
	Huck	240	gold-copper veins	100%	Beaver Resources Inc.
3. Mississippi Valley type zinc-lead-silver deposits in Nevada fit the generalized model, but diverge somewhat, containing abnormally high concentrations of silver.	Clay	740	gold veins	100%	Beaver Resources Inc.
	Stibnite	700	Hypothermal gold & silver shear	100%	Beaver Resources Inc.



BEAVER RESOURCES INC.

Consolidated Balance Sheet (as at 31 January 1984)

Current Assets

Cash	\$ 16,666
Accounts receivable	59,557
Due from directors — no specific terms of repayment	<u>3,865</u>
	80,088

Loan Receivable — interest at 10.5%, no specific terms of repayment	24,966
---	--------

Prepaid Royalties

Note Receivable — interest at 11%, no specific terms of repayment	30,000
Interest in Oil and Gas Properties, net of amortization — Note 2	336,715
Interest in Mineral Properties — Note 3	901,861
Interest in Joint Venture — Note 4	<u>57,216</u>

Fixed Assets — Note 5	<u>105,382</u>
	<u><u>\$1,597,628</u></u>

Current Liabilities

Accounts payable and accrued liabilities	\$ 140,576
Income taxes payable	5,491
Bank loan — demand	<u>50,000</u>
	196,067

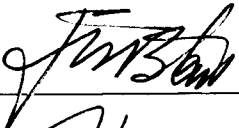
Deferred Income Taxes	<u>27,896</u>
	<u><u>223,963</u></u>

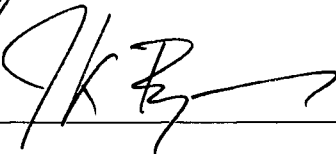
Share Capital and Deficit

Share capital — Note 6	2,382,464
Contributed surplus	<u>5,000</u>
	2,387,464
Deficit	<u>1,013,799</u>
	<u><u>1,373,665</u></u>

Commitments — Note 8	
Other Information — Note 9	
Subsequent Event — Note 11	
	<u><u>\$1,597,628</u></u>

Approved by the Directors

 _____ Director

 _____ Director

BEAVER RESOURCES INC.

Consolidated Statement of Loss and Deficit

(for the seven and a half month period
from 12 June 1983 (date of amalgamation) to 31 January 1984)

Income

Oil and gas revenue (net of royalties and taxes)	\$ 119,413
Royalty and option income	24,816
Interest	2,076
	<u>146,305</u>

Exploration and Development

Amortization of deferred exploration costs	24,675
Depreciation	6,789
Well operating costs	27,085
Write-off of unsuccessful exploration costs	23,966
	<u>82,515</u>

Operating Income 63,790

Administration

Advertising and promotion	13,952
Amalgamation costs	18,802
Interest and bank charges	4,303
Office, fees and dues	33,352
Professional fees	45,966
Rent	9,200
Salaries and employee benefits	49,364
Telephone and telex	3,253
Travel	21,083
	<u>199,275</u>

Loss before Income Taxes 135,485

Income Taxes — current (recovery) (1,233)

— **deferred (recovery)** (376)

(1,609)

Consolidated Loss for the period 133,876

Consolidated Deficit, beginning of period — Note 10 879,923

Consolidated Deficit, end of period \$1,013,799

Basic Loss per share — Note 6 \$ (.03)

(See accompanying notes)

BEAVER RESOURCES INC.

Consolidated Statement of Changes in Financial Position

(for the seven and a half month period
from 12 June 1983 (date of amalgamation) to 31 January 1984)

Source of Working Capital

Issuance of Shares \$ 29,750

Use of Working Capital

Operations
Loss for the period \$ 133,876
Items not requiring the use of working capital 66,738
67,138
Increase in note receivable 288
Interest in mineral properties 86,028
Interest in joint venture 27,280
Prepaid royalties 13,406
194,140

Decrease in Working Capital 164,390

Working Capital, beginning of period — Note 10 48,411

Working Capital Deficiency, end of period \$(115,979)

Auditors' Report

To the Shareholders of
Beaver Resources Inc.

We have examined the consolidated balance sheet of Beaver Resources Inc. as at 31 January 1984 and the consolidated statements of loss and deficit and changes in financial position for the seven and a half month period 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 31 January 1984 and the results of its operations and the changes in its financial position for the seven and a half month period then ended in accordance with generally accepted accounting principles.

Yada, Tompkins, Humphries, Palmer & Co.

Chartered Accountants

Vancouver, B.C.
24 February 1984

Notes to the Consolidated Financial Statements

(as at 31 January 1984)

Note 1 — Significant accounting policies

a) Consolidation

The consolidated financial statements include the accounts of the company's wholly-owned subsidiaries, Beaver Petroleum Inc., Goldquest Exploration Ltd., Goldquest Exploration Inc., and Trojan Petroleum Inc.

b) Deferred exploration and development expenditures

Mineral properties

All costs relating to exploration and development of mineral properties are capitalized until such time as the properties are put into commercial production, sold or abandoned.

Recovery of the deferred exploration and development costs of \$901,861 is dependent upon achievement of an economic level of production or a sale which would permit such a recovery, the eventual outcome of which cannot be determined at this time.

Oil and gas properties

The company is engaged in the development of oil and gas properties and follows the successful efforts method of accounting for costs of oil and gas properties. Under this method, the company capitalizes lease costs, costs of drilling and equipping successful exploratory wells and all costs relating to development wells. Capitalized unproven lease costs are periodically reviewed and, when necessary, a provision for reduction of the carrying value is made on the basis of drilling results and other available data. The cost of unsuccessful exploratory wells is written off at the time of abandonment.

c) Amortization of deferred exploration costs

Capitalized costs of successful oil and gas properties will be charged against income using the unit-of-production method based on estimated recoverable oil and gas reserves, once the related property begins production. Amortization is only recorded in those periods the assets are productive.

d) Depreciation

The company records depreciation on fixed assets on the declining-balance basis at the rates outlined in Note 5.

e) Translation of foreign currencies

Current assets and current liabilities have been translated to the Canadian dollar equivalent at the prevailing rate of exchange at 31 January 1984. Deferred exploration and development expenditures have been translated to Canadian dollars at the rate in effect on the transaction date. Revenue and expenses have been translated to Canadian dollars at average rates for the period.

f) Joint venture

The company records its participation in the joint venture using the equity method of accounting.

g) Deferred income taxes

Deferred income taxes are accounted for by the tax allocation method, whereby provision for taxes is recorded in the year transactions affect net earnings rather than when such items are recognized for income tax purposes.

Note 2 — Interest in oil and gas properties, at cost

Deferred exploration and development costs

	Total
Balance, beginning of period	\$376,025
Amortization of deferred exploration costs	(24,675)
Write-off of unsuccessful exploration costs	<u>(14,635)</u>
Balance, end of period	<u>\$336,715</u>

The company's working interests in the above oil and gas properties range from 5% to 23%. The properties are located in the States of Ohio, Oklahoma, Montana and West Virginia, U.S.A.

Note 3 — Interest in mineral properties, at cost

Deferred exploration and development costs

	Canada	United States	Total
Balance, beginning of period	\$247,135	\$578,029	\$825,164
Acquisition costs	15,880	—	15,880
Administration	1,435	8,972	10,407
Field and geological	5,135	54,606	59,741
Write-off of unsuccessful exploration costs	<u>—</u>	<u>(9,331)</u>	<u>(9,331)</u>
	<u>\$269,584</u>	<u>\$632,276</u>	<u>\$901,861</u>

The above mineral properties are principally located in British Columbia and the Yukon, Canada and California and Nevada, U.S.A.

The claims have expiry dates ranging from 23 May 1984 to 23 February 2010.

Note 4 — Interest in joint venture

Nevada

On 15 May 1983 Goldquest Inc., a wholly-owned subsidiary, entered into a joint venture with Nicor Mineral Ventures from the United States. Nicor and Goldquest will undertake to explore certain properties located in Nevada held by Nicor and the Donegal-Kilkenny mining claims held by Goldquest.

The initial interest of the parties in the joint venture is Nicor — 60% and Goldquest — 40%. Each party is obligated to make cash contributions in its respective participating percentage.

To date, the joint venture has only engaged in exploration activities and has expended a total of \$57,216 on the property. Joint venture financial statements have not been prepared to date.

Notes to the Consolidated Financial Statements(as at 31 January 1984) *continued***Note 5 — Fixed assets**

	Rate	Cost	Accumulated Depreciation	Net
Mining equipment	20%	\$ 15,696	\$ 9,255	\$ 6,441
Oil and gas equipment	20%	147,411	48,470	98,941
		<u>\$163,107</u>	<u>\$ 57,725</u>	<u>\$105,382</u>

Note 6 — Share capital

Authorized

- 100,000,000 common shares without par value
- 100,000,000 Class "A" preference shares with a par value of \$10 each
- 100,000,000 Class "B" preference shares with a par value of \$50 each

Issued

Common shares	Shares	Amount
Balance, beginning of period	5,281,205	\$2,352,714
Issued during the period		
— for cash	40,000	14,000
— for mineral claims	32,500	15,750
Balance, end of period	<u>5,353,705</u>	<u>\$2,382,464</u>

a) Escrow and pooled shares

The issued share capital of the company includes 1,554,165 escrow shares and 337,250 pooled shares. The escrow shares are subject to release upon the direction and approval of the appropriate Regulatory Authorities. The pooled shares arose as part of the share exchange during the purchase of Goldquest Exploration Ltd. These pooled shares will be released over the next five months.

b) Share options

The following share options were outstanding at period end:

	Number of shares	Option price	Expiry date
i) Directors			
	20,000	\$.25	8 July 1987
	110,000	.45	19 January 1988
	20,000	1.70	13 June 1988
ii) Employees			
	120,000	.60	16 March 1984
	80,000	.80	16 March 1984
	5,000	1.70	13 June 1984
	33,725	.90	7 October 1984
	10,000	.45	19 January 1988

Subsequent to the period-end, 130,000 share options were exercised (120,000 at \$.60; 10,000 at \$.45) and the options at \$.80 each expired. Also, an additional 40,000 share options were issued to a director for the purchase of shares at \$.65 each. These options expire 13 February 1989.

c) Units

Subsequent to the period-end the company issued and sold 250,000 units at \$.81 each. Each unit consists of:

- One common share
- Two series "A" Warrant

Two Series "A" Warrants enables the holder to purchase one common share of the company at a price to be determined in accordance with the rates and policies of the Vancouver Stock Exchange. The option to exercise these warrants expires 3 May 1984.

Also as part of the cost of offering the units, the company issued 100,000 Series "B" Warrants. Each warrant entitles the underwriter to purchase one common share of the company at \$.85 per share. The option to exercise these warrants expires 3 May 1984.

d) Basic loss per share

Basic loss per share \$.03

The basic loss per share is calculated using the weighted average number of common shares outstanding during the period.

Note 7 — Related party transactions

During the period, a salary of \$30,710 was paid to a director of the company.

Note 8 — Commitments

a) The company has entered into an option to purchase certain mineral claims included in the accounts. The agreement stipulates that the company will issue 12,500 common shares after each of 3 phases of an exploration and development program. These shares can be issued only upon acceptance by the appropriate Regulatory Authorities.

b) The company has entered into an option agreement for the control of mineral claims included in the accounts. The company has the right to terminate the agreement by giving thirty days written notice to the Optionors. The agreement stipulates that the company will pay \$80,000 and issue shares at a deemed price of \$.30 cents per share as follows:

	Amount	Shares
31 October 1984	\$ 3,750	7,500
01 February 1985	11,250	22,500
01 February 1986	<u>65,000</u>	<u>43,333</u>
	<u>\$80,000</u>	<u>73,333</u>

Notes to the Consolidated Financial Statements

(as at 31 January 1984) *continued*

c) The company's financial commitments to the original optionor of its Kramer Hills, California mineral claim have been assumed by Amselco Exploration Inc., (as described in Note 9(b)). Such commitments include option and advance royalty payments of approximately \$715,000 over the next one and half years. Once these payments are paid in full, the company will have acquired the property from the Optionor.

If Amselco withdraws from the Agreement, the company can either assume the above commitments or renew its original agreement with the Optionor. Under that agreement the company is committed to rental payments of approximately \$2,500 per month for 99 years.

Note 9 — Other information

a) Scanmining agreement

In February 1983, the company entered into an agreement with Scanmining Inc. of Sweden. This agreement covers two separate projects, each being a different type of gold exploration program.

(i) The Ballyoran Property is a geochemical study of a property obtained from a prospector by Goldquest Inc. Scanmining will pay all the costs of an exploration program. Scanmining is committed to spend a minimum of \$30,000, and if it spends \$50,000 on the property, it will earn a 50% interest in the property.

(ii) Lineament Structure

The company has worked out an exploration concept involving the Lineament Structure. The companies together will explore the Lineament Structure. Scanmining has agreed to spend a minimum \$30,000 on this study and if it spends \$70,000 on this project, it will earn a 50% interest in any lands acquired by this project.

If in either project, Scanmining earns a 50% interest, both parties shall promptly negotiate a separate joint venture agreement.

b) Kramer Hills, California mineral claim

During the period the company entered into an Exploration Agreement with an option to purchase with Amselco Exploration Inc. (Amselco) on its Kramer Hills, California mineral claim. Under the terms, Amselco will pay the company approximately \$380,000 over a 24 month period and assume the company's financial obligations to the original Optionor for the right to conduct exploration on the company's Kramer Hills mineral claim. If Amselco incurs exploration expenditures of approximately \$9,362,250, it will earn a 73% undivided interest in the claim. In addition, the company has earned a 27% interest in any mining claim held by Amselco within two miles of the Kramer Hills claim.

If Amselco acquires its undivided interest, either Amselco and the company will conduct joint operations or Amselco will conduct operations on its own and pay the company a royalty.

Amselco has the right to terminate this Agreement at any time by delivery of 30 days written notice.

Note 10 — Amalgamation

On 11 June 1983, the company was amalgamated with Centurion Exploration Inc. and continued operations as Beaver Resources Inc. The issued and unissued shares of each company were cancelled or exchanged for shares of the amalgamated company on one for one basis.

The consolidated financial position of Beaver Resources Inc. immediately following the amalgamation was:

Current assets	\$ 190,720
Prepaid royalties	47,994
Interest in joint venture	29,936
Note receivable	30,000
Loan receivable	24,678
Interest in oil and gas properties	376,025
Interest in mineral properties	825,164
Deferred costs	10,750
Fixed assets	113,105
	<u>\$1,648,372</u>
Current liabilities	\$ 142,309
Deferred income taxes	28,272
Share capital	2,352,714
Contributed surplus	5,000
Deficit	(879,923)
	<u>\$1,648,372</u>

Note 11 — Subsequent event

Subsequent to the year-end, the company's subsidiary, Goldquest Inc. entered into a mineral lease and option to purchase 35 mineral claims in Southern Nevada, U.S.A. The agreement requires a \$6,250 down payment and minimum \$6,250 per year for 25 years towards an end purchase price of \$156,250.