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Blackdome Exploration Ltd.

Annual Report 1983

Board of Directors

In the past year William St. C. Dunn, a well-known Vancouver mining engineer, retired from the Board after seven years of service to the Company.

Appointed to the Board was R. Carl Ashenhurst, formerly Vice President and Secretary of Noranda Mines Limited.



Albert F. Reeve
President & Director



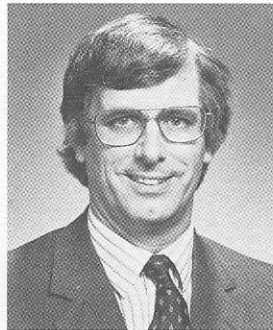
R. Carl Ashenhurst
Director



Jurgen T. Lau
Secretary & Director

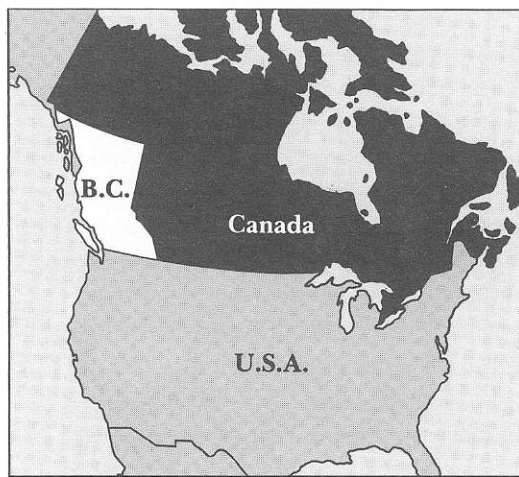


Irvine Corbett
Director



J. Haig deB. Farris
Director

Blackdome Gold Property



The Company's Property consists of 6,900 acres of mineral claims covering gold and silver deposits at Blackdome Mountain in south central British Columbia. The property is 140 air miles north of Vancouver and 90 miles by road south from the town of Williams Lake.

The Blackdome precious metal deposits occur in a sequence of Tertiary-aged Volcanic rocks believed to have been formed by "epithermal" hot spring activity. They consist of gold and silver-bearing high-grade quartz "bonanza" lodes in a series of steeply inclined NE trending fault zones. One of these faults contains the No. 1 Vein system which has been traced by drilling and underground work for a distance of 6,900 feet and a vertical range of 650 feet. This structure contains an estimated ore reserve of 455,000 tons grading .32 oz/T gold and 2.7 oz/T silver. There is considerable scope for expanding these reserves within extensions of the No. 1 Vein and in other known gold-bearing fault zones.

Since 1978 more than \$6,000,000 has been spent by the Company on exploration and development work and the known reserves are now at a level where production can be considered.

Report to Shareholders

In 1983, underground exploration and development work was continued at the Company's gold-silver property near Clinton in south-central British Columbia. A total 2,060 ft. of drifting and 370 ft. of underground diamond drilling were completed at a cost of \$1,500,000. This work was financed by Noranda Mines Limited and in November Noranda relinquished its rights to finance further work.

Early in 1984, the Company negotiated a new financing with a group of investors who will purchase 640,000 units at \$2.50 per unit. Each unit consists of one share of the Company and one non-trading warrant bearing the right to purchase an additional share for \$2.85 for a period of 180 days. The agent responsible for arranging the financing will be issued 128,000 additional warrants. The Company expects to receive \$1,470,000 net of

commissions and expenses, and would receive a further \$2,188,800 if all of the warrants were exercised.

In 1984, the Company plans to carry out a programme of drifting, raising, diamond drilling and a feasibility study. It is expected that this work will be completed by September, 1984. The Blackdome Project, Stage I, Environmental Report has been approved by the British Columbia government regulatory authorities so that the Company is now in a position to apply for all of the necessary permits for building a production facility.

The drifting programme in 1983 established underground access to drill-indicated ore in the north part of the No. 1 Vein but did not materially change the reserve picture.

To date, 5,160 ft. of underground work has been completed on the No. 1 Vein from two portals on the 1,960-m level; 43,000 ft. of surface and underground drilling has also been completed. The Company's engineers estimate drill-indicated reserves in the No. 1 Vein are 455,000 tons averaging .38 oz/T gold equivalent at a .10 oz/T cutoff grade, 236,000 tons averaging .53 oz/T gold equivalent at a .20 oz/T cutoff grade, and 165,000 tons averaging .65 oz/T gold equivalent at a .25 oz/T cutoff grade. The gold equivalent value is determined by equating 1 oz. of gold to 45 oz. of silver. These estimates provide for a

minimum mining width of 5 ft. but do not allow for further dilution or metallurgical losses.

A recent report by an independent consultant has classified and calculated ore reserves in the No. 1 Vein system more conservatively as 144,500 tons averaging .70 oz/T gold equivalent using a cutoff grade of .25 oz/T gold equivalent.

The prospects for increasing reserves by surface exploration, drilling and underground work are very good.

The principle objective of the 1984 work programme will be to confirm and develop additional ore within the known reserve to the point where a production decision can be made. Management is confident that this objective will be met and that production will be achieved in 1985.

On behalf of the Board



A.F. Reeve,
President

April 2, 1984



Albert F. Reeve
President

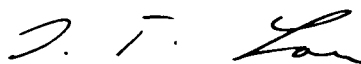
Balance Sheet

As at 31 December 1983
(With comparative figures as at 31 December 1982)

Exhibit A	1983	1982
Assets		
Current		
Cash	\$ 2,651	\$ 21,038
Bank term deposits	179,079	77,631
Accounts receivable	—	19,871
	<u>181,730</u>	<u>118,540</u>
Mineral Rights and Deferred Costs		
Mineral rights (Note 2)	188,330	188,330
Deferred exploration and development costs — Schedule 1	5,712,098	3,263,576
Deferred administrative costs — Schedule 1	331,638	141,109
Reclamation deposit	5,000	5,000
	<u>6,237,066</u>	<u>3,598,015</u>
Plant and Equipment, at cost		
Machinery and equipment	555,511	555,511
Buildings	60,993	60,993
Mobile equipment	41,996	41,996
Furniture and fixtures	8,505	9,910
	<u>667,005</u>	<u>668,410</u>
Less — Accumulated depreciation (Note 1)	334,009	251,788
	<u>332,996</u>	<u>416,622</u>
	<u>\$6,751,792</u>	<u>\$4,133,177</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 159,928	\$ 82,713
Shareholders' Equity		
Share Capital (Note 3)	6,591,864	4,050,464
	<u>\$6,751,792</u>	<u>\$4,133,177</u>

On Behalf of the Board:


Director


Director

Statement of Changes in Financial Position

For the Year Ended 31 December 1983
(With comparative figures for 1982)

Exhibit B	1983	1982
Source of Funds		
Share capital (Note 3)	\$2,541,400	\$ 461,250
Deduct — Shares issued for exploration costs	2,347,650	—
	193,750	461,250
Rental income	39,000	—
Interest income	11,448	9,272
Furniture and fixtures	375	—
	244,573	470,522
Application of Funds		
Deferred costs — Schedule 1		
Exploration and development	2,448,522	241,100
Administrative	190,529	103,577
	2,639,051	344,677
Adjustment for the following items —		
Exploration costs incurred on the property in consideration for shares of the company	(2,347,650)	—
Depreciation	(83,251)	(104,155)
Income, shown above	50,448	9,272
	258,598	249,794
Conditional sales agreements	—	79,732
Plant and equipment, net of conditional sales contracts	—	1,043
	258,598	330,569
Increase (Decrease) in Working Capital	(14,025)	139,953
Working capital (deficit) — 1 January	35,827	(104,126)
Working Capital — 31 December	\$ 21,802	\$ 35,827

Schedule of Deferred Exploration and Development Costs

For the Year Ended 31 December 1983
(With comparative figures for 1982)

Schedule 1	1983	1982
Expenses incurred on mineral rights owned by the company for which treasury shares have been issued or allotted (Note 3)	\$2,347,650	\$ —
Depreciation	82,100	102,625
Other property costs	57,772	138,475
Equipment rentals	(39,000)	—
Costs for the Year	2,448,522	241,100
Balance — 1 January	3,263,576	3,022,476
Balance — 31 December	\$5,712,098	\$3,263,576

Schedule of Deferred Administrative Costs

For the Year Ended 31 December 1983
(With comparative figures for 1982)

	1983	1982
Financing commission	\$ 95,930	\$ 22,500
Licences and taxes	28,557	10,209
Administrative and office services	27,941	12,500
Shareholders' information and meetings	15,830	10,464
Legal fees and expense	13,040	31,531
Transfer agent fees	8,760	4,558
Accounting and audit fees	4,675	7,225
Office supplies and expense	4,216	9,443
Travel and promotion	1,877	2,889
Depreciation	1,151	1,530
Interest income	(11,448)	(9,272)
Costs for the Year	190,529	103,577
Balance — 1 January	141,109	37,532
Balance — 31 December	\$ 331,638	\$ 141,109

Notes to Financial Statements

31 December 1983

1. Accounting Policies

(a) Deferred Costs

The Company is in the exploration stage and has established a policy of deferring all costs relating to exploration projects, including related administrative costs, until such time as the projects are put into commercial production, sold or abandoned.

(b) Values

The amounts shown for mineral properties and deferred costs represent costs to date and are not intended to reflect present or future values.

(c) Fixed Assets and Depreciation

Fixed assets are carried at cost. Depreciation on these assets is taken on the declining balance method at the rate of 20% per annum.

2. Mineral Rights

The Company owns certain mineral claims and placer leases in the Blackdome Mountain area of the Clinton Mining Division of British Columbia acquired for the following consideration:

Cash	\$ 42,705
792,500 shares of the Company's capital stock at assigned values	145,625
	<u>\$ 188,330</u>

3. Share Capital

(a) Authorized — 6,000,000 common shares without par value

(b) Issued or allotted during the year:

For cash —

5,000 shares at \$2.25	\$ 11,250
50,000 shares at \$3.00	150,000
10,000 shares at \$3.25	32,500
<u>65,000 shares</u>	<u>\$ 193,750</u>

For exploration and development —

782,550 shares at \$3.00	<u>\$2,347,650</u>
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(c) Issued or allotted and fully paid:

Consideration	Shares	Amount
Cash — Issued	1,957,750	\$3,758,589
Properties — Issued	792,500	145,625
Exploration — Issued	375,050	1,187,650
— Allotted	500,000	1,500,000
	<u>3,625,300</u>	<u>\$6,591,864</u>

Notes to Financial Statements

(continued)

(d) The 500,000 shares shown as allotted represent the balance of shares due to be issued to Noranda Mines Limited pursuant to a financing and property development agreement with that company. The agreement was terminated on 16 November 1983.

4. Related Party Transactions

(a) During the year the Company paid or credited \$33,810 to two corporations that were controlled by one of its directors for rent, office services and technical professional services.

(b) Included in the accounts payable as at 31 December 1983 is an amount of \$59,561 due to a related corporation.

5. Contingent Liability

The Company is the defendant in an action involving the ownership of a generator. Although unspecified damages are claimed the maximum exposure is estimated not to exceed \$22,000. Management is of the opinion that the action will be settled in their favour and therefore no provision has been made in the accounts to cover this action.

Auditors' Report

To the Shareholders of
Blackdome Exploration Ltd.

We have examined the balance sheet of Blackdome Exploration Ltd. as at 31 December 1983 and the statements of changes in financial position and deferred exploration and development and administrative costs 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 financial statements present fairly the financial position of the company as at 31 December 1983 and the changes in its financial position and the cost of its exploration activities for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

24 January 1984

Smith, Flynn, Staley
Chartered Accountants

Corporate Data

Head Office

Blackdome Exploration Ltd.
904 - 675 West Hastings Street
Vancouver, B.C.

Directors & Officers

Albert F. Reeve
President & Director

Jurgen T. Lau
Secretary & Director

Irvine Corbett
Director

R. Carl Ashenhurst
Director

J. Haig deB. Farris
Director

Solicitors

Bull, Housser & Tupper
Vancouver, B.C.

Auditors

Smith, Flynn, Staley
Burnaby, B.C.

Transfer Agent & Registrar

Canada Permanent Trust Company
701 West Georgia Street
Vancouver, B.C. V7Y 1E5

Listed

Vancouver Stock Exchange
Symbol: BEE-V

The Toronto Stock Exchange
Symbol: BEE-T

Authorized Capital

6,000,000 Common

Issued Capital

3,625,300 Common

Principal Shareholder

Barrier Reef Resources Ltd.
Vancouver, B.C.

Annual General Meeting

Salon A
Engineers Club
640 West Pender Street
Vancouver, B.C.
11:00 a.m.
Wednesday, May 9, 1983