PROPERTY SUBMITTAL/EXAMINATION INFORMATION SHEET

FILE NO: 103 P/13

825746

KERR ADDISON MINES LIMITED

EXPLORATION KERR ADDISON INC.

KERADAMEX INC.

SUBMISSION BY: T.R. Kennedy - Bimbay (Pacific Cassiar - Teck J.V.)

DATE SUBMITTED/EXAMINED: Sept 13 1985.

PROPERTY NAME: Porter - Idaho Project -

COMMODITY: Silver

PROVINCE/STATE: British Columbia

MINING DIVISION:

TOWNSHIP/AREA: Stewart B.C.

N.T.S./LAT.-LONG.: 103 P / 13

REFERENCE MAP: B.C. Paper 84-1 pp 165-172.

REVIEWED BY: D.AL.

DATE REVIEWED: Sept 17/86

SUMMARY & CONCLUSIONS: See attached Notes.

RECOMMENDATIONS:

Alfred
BUNTING
& Co. Limited
Tel: (416) 364-3293/Telex: 06-217587
130 Adelaide Street West, Suite 3000, Toronto, Ontario M5H 3V4

IDB spoke to Tom Kennedy - Said no thanks
I spoke to Pat Mars - said same.

RB.

File

SEP 1 1985

September 13, 1985

Mr. Ian Bayer
Kerr Addison Mines Limited
P.O. Box 91
Commerce Court West
Toronto, Ontario
M5L 1C7

Dear Ian,

Enclosed please find some information on Pacific Cassiar Limited, and the Porter Idaho project. Gord McCreary is very familiar with both Pacific Cassiar and the property and believes there is good potential in the Porter Idaho project. Pacific Cassiar will clearly not be able to fund its share of the Porter Idaho development should that development take place, which opens two possibilities: 1) a large equity investment in Pacific Cassiar Limited; or 2) acquisition of the property from Pacific Cassiar.

When you have had an opportunity to review this material we would be pleased to further discuss it with you.

Sincerely,

T.R. Kennedy

TO IDB

FROM	**DATE** Sept 17 19 86

PLEASE REPLY DIRECT	☐	PLEASE HANDLE	☐
PLEASE SEE ME	☐	YOUR COMMENTS	☐
FOR YOUR INFORMATION	☐	FOR APPROVAL	☐
PLEASE RETAIN	☐	PLEASE RETURN	☐

Porter - Idaho Project

(1) Vein widths are mostly narrow 3' - This would make some sections uneconomic at $6.00/oz silver

(2) All veins of this type have a degree of erratic nature - ie reserves cannot be blocked out as shown on longitudinal section

NMT-21-773

TO

FROM	DATE 19

PLEASE REPLY DIRECT	☐	PLEASE HANDLE	☐
PLEASE SEE ME	☐	YOUR COMMENTS	☐
FOR YOUR INFORMATION	☐	FOR APPROVAL	☐
PLEASE RETAIN	☐	PLEASE RETURN	☐

3) Looks like an exploration bet to me not a sure thing! Data was compiled by our Vancouver office in 1983 ~~or 1984~~ Summer

Teck was in a too large program & wanted too much for it

STEWART BC

Ag.

PORTER - IDAHO PROJECT

TECK EXPLORATIONS LIMITED

STEWART BC
Ag

PORTER - IDAHO PROJECT

March, 1985

PROSPERITY, PORTER IDAHO MINESITE (Looking Northwest)

TABLE OF CONTENTS

LIST OF FIGURES

SUMMARY

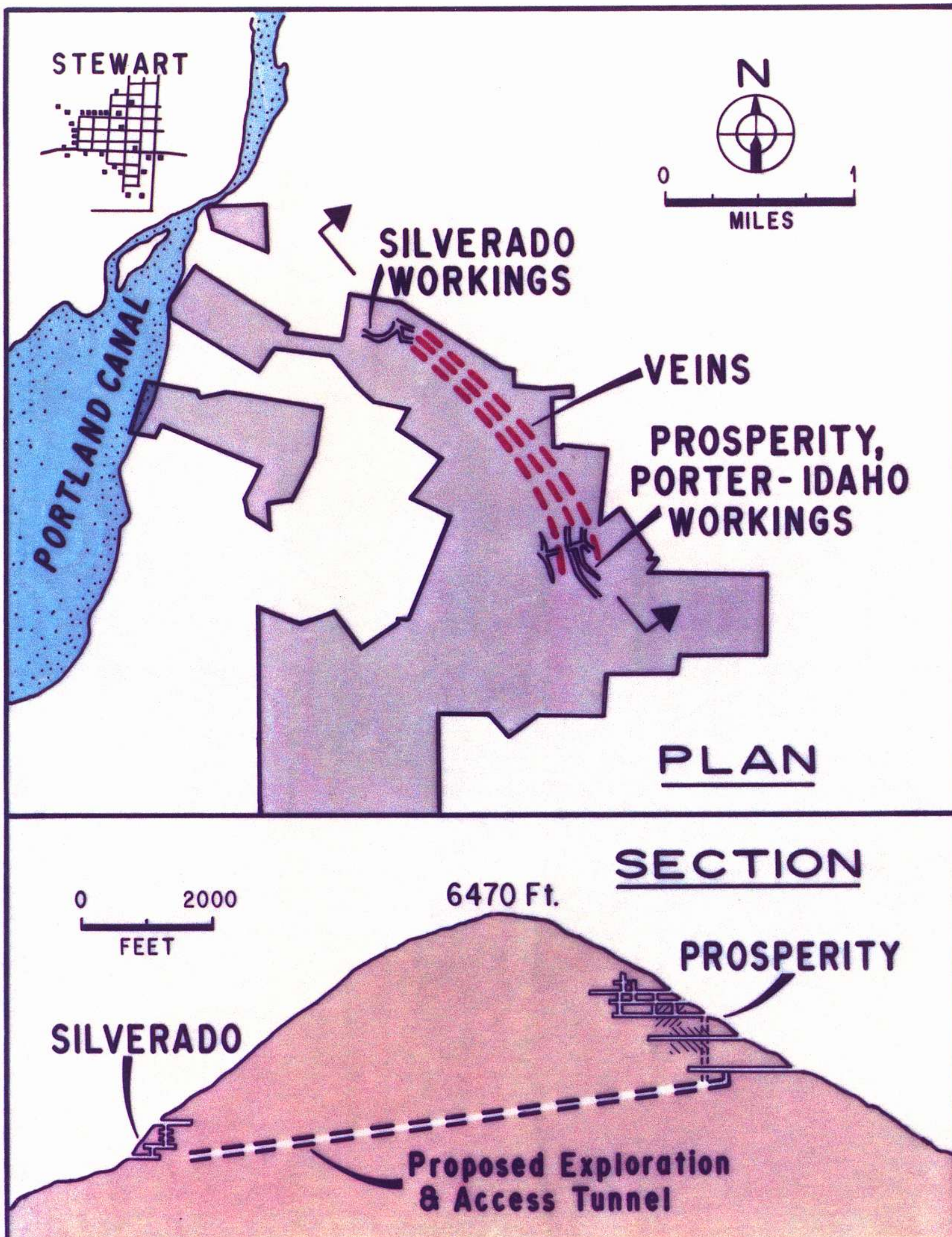
In December 1984, Teck Corporation entered into a joint venture agreement with Pacific Cassiar Limited for continuation of exploration and development of Pacific Cassiar's Prosperity, Porter-Idaho and Silverado silver properties at Stewart, B.C. Teck can earn a 50% interest in the properties by the expenditure of $5,000,000.

The property consists of 59 claims which straddle Mt. Rainey at the head of Portland Canal in the Skeena Mining Division, British Columbia (Figure 1a). These claims cover high-grade silver veins which saw limited production during the period 1929 to 1931.

The vein system strikes north-northwesterly, and appears to extend from the Porter-Idaho workings on the east side of Mt. Rainey to the Silverado workings on the west side, a distance of approximately 7,000 feet. The Silverado workings are near tide-water, a short distance by road from the town of Stewart.

During the past five field seasons, Pacific Cassiar established a permanent camp on the property, rehabilitated the Prosperity-Porter Idaho workings, and conducted percussion and diamond drilling on 3 of the 6 major vein structures. This work indicated a reserve of approximately 910,000 tons grading 19.5 oz/ton silver.

Commencing in 1985, a combination of underground and surface diamond drilling will confirm the indicated reserves and evaluate other target areas within and beyond previous mining limits. If this program is successful and an economically viable reserve is indicated, it is proposed to drive an adit from the Silverado mine to extend beneath two Porter-Idaho workings. This will open up the entire length of the vein system for exploration and offer potential for increasing reserves several fold.



PACIFIC CASSIAR - TECK CORPORATION

PORTER - IDAHO PROJECT

Fig. 1a

INTRODUCTION

The town of Stewart owes it existence to past and present mining operations including the Silbak-Premier Mine, Big Missouri Mine, Granduc Mine, Scotty Gold Mine, The Dunwell Mine and the Prosperity, Porter-Idaho Mine. Stewart is Canada's most northerly, ice-free salt water port and serves as the shipping centre for supplies and mineral products, with port accommodation for both shallow barge and deep sea vessels.

Mount Rainey overlooks Stewart on its east side. It rises from sea level to a height of 6,200 feet, and hosts the silver veins of the Silverado, Prosperity and Porter-Idaho Mines. The Silverado Mine is at an elevation of 3,200 feet and is visible from the main street of Stewart. The Prosperity, Porter-Idaho Mine is on the opposite flank of the mountain at an elevation of 5,000 feet. Receding glaciers cover the mountain summit and the area between the two locations. It is believed that both mines are developed on the same structure separated by 7,000 feet of untested ground.

PROPERTY

The property consists of 46 crown-grant mineral claims and 9 staked claims (Figure 1b) covering an area of approximately 2,500 acres. All claims are wholly owned by Pacific Cassiar. Crown granted claims require no assessment work and are kept in good standing through an annual property tax aggregating $300 per year. All staked claims are currently in good standing until 1992.

CLIMATE AND PHYSIOGRAPHY

Due to the moderating effects of the Pacific Ocean, the Stewart area enjoys a temperate climate despite its northerly location. However, the area has a high level of precipitation with light rain and fog during the summer months and heavy snow in winter.

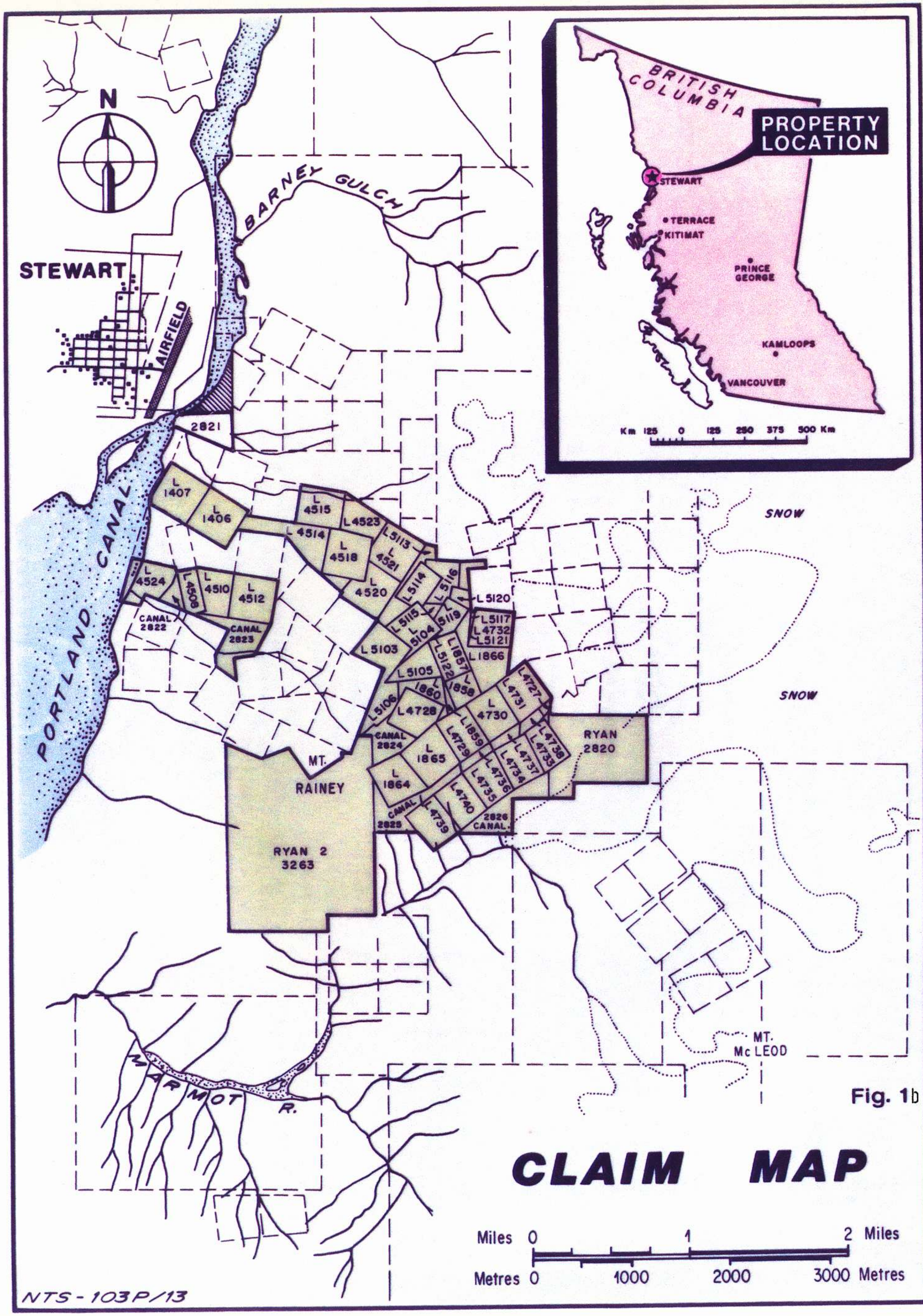


Fig. 1b

CLAIM MAP

Although the Prosperity, Porter-Idaho mine is only 3 miles from Stewart, it is not accessible by road. Total relief on the property is 6,600 feet with all the old workings above treeline. The property location and physiography present no unusual problem with respect to exploration and development.

PROPERTY HISTORY

Silver mineralization was discovered on both the Silverado and Prosperity, Porter-Idaho properties in 1921. At the Silverado, work concentrated on a series of flat-lying quartz-tetrahedrite veins with mined material grading up to 300 oz/ton silver. In 1927 a new set of south-trending, steeply-dipping veins were discovered which were little explored before Premier Gold Mines optioned the claims in 1928. Small scale mining on the Silverado property produced 154 tons yielding 31,137 ounces of silver and associated lead, zinc and copper. Most of this material came from pits, trenches and small development headings.

Production on the Prosperity, Porter-Idaho claims commenced in 1922 as a seasonal high-grading operation on several surface vein exposures. Pack horses were used for transport. Premier Gold Mines optioned this ground in 1928 to consolidate the known silver prospects on Mt. Rainey and constructed a 5-mile aerial tram line from the property to connect with the Marmot River and shipping facilities at tidewater. High grade direct-shipping ore was produced from 3 veins at an average production rate of 50 tons per day in the period 1929-31.

In late 1929 silver was valued at 65 cents per ounce but by the spring of 1931 it had declined to 26 cents per ounce. This low price forced closure of the mine in April of 1931. In this 18 month operating period the mine produced 30,000 tons grading 77 oz/ton silver, 5% lead, 0.026 oz/ton gold and 0.97% copper. Zinc production was probably equal to lead but production recordsare incomplete, since zinc constituted a smelter penalty at the time. Mine production was on a selective basis using a 40 oz/ton silver cut-off grade.

Upon mine closure, all equipment was left on site on stand-by for the next eleven years in anticipation of a resumption of operations. Eventually, in 1946, Premier Gold Mines sold the property to Big Four Mines Ltd. The property was acquired by Pacific Cassiar's predecessor company in 1952.

RECENT EXPLORATION

After only intermittent and ineffectual examinations between 1952 and 1975, Pacific Cassiar took charge of the property in 1980 and began consistent, systematic evaluation and rehabilitation each year up to the present time.

Approximately 6,000 feet of old drifts and cross-cuts were opened up and short-hole percussion drilling in 200 holes tested the major portion of the walls of these workings. A comprehensive program of geological mapping and sampling on surface encountered new mineralized exposures. This work has shown that the veins are major structures of considerable horizontal and vertical extent, with widths up to 40 feet.

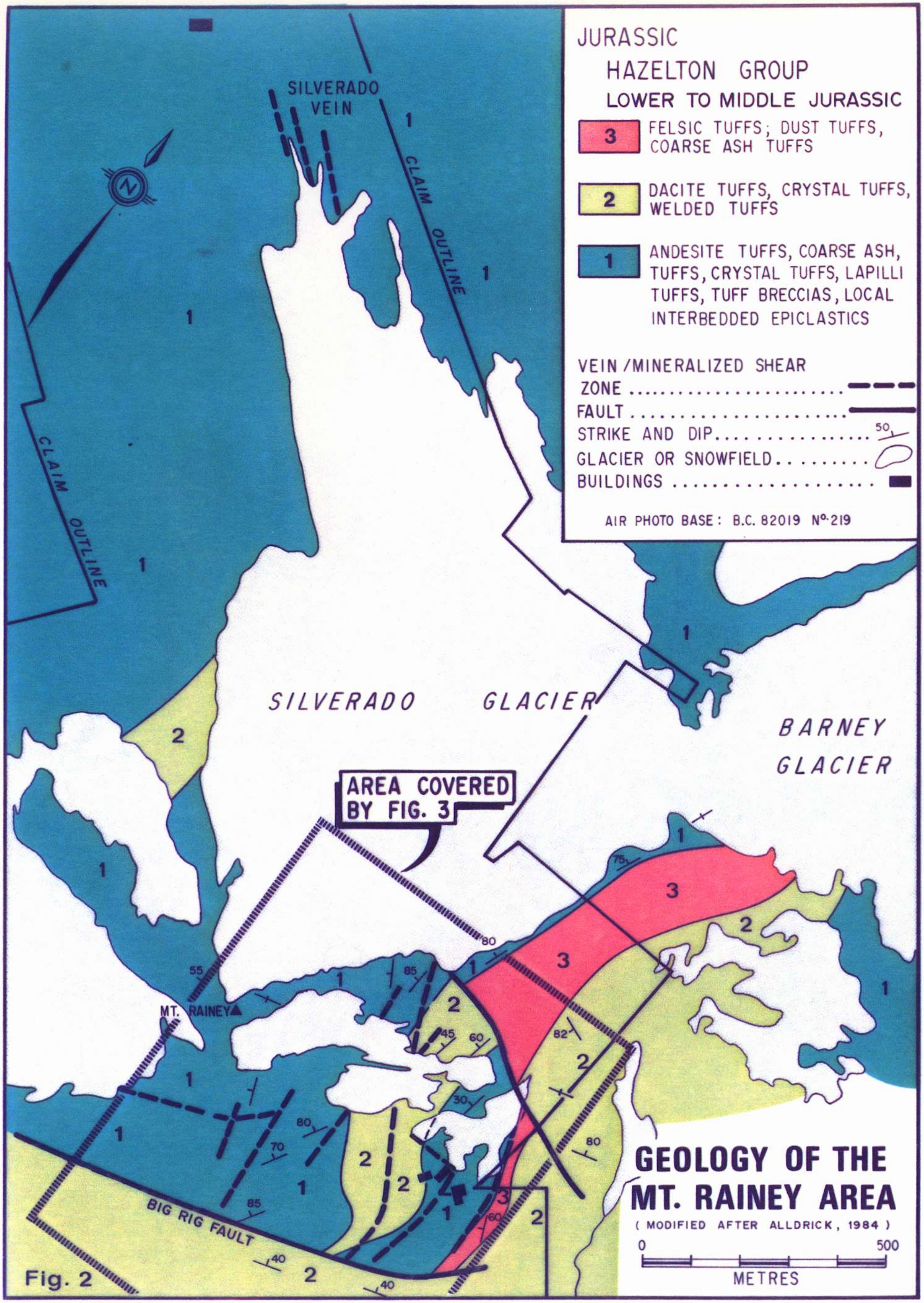
GENERAL GEOLOGY

The Stewart district lies on the eastern margin of the Coast Plutonic Complex, and comprises a complex belt of deformed volcanic, sedimentary and metamorphic rocks bounded by the Coast Range Intrusives on the west and by the marine sedimentary rocks of the Bowser Basin on the east. The oldest members of the belt are the predominantly volcanic rocks of the Hazelton assemblage of Early to Middle Jurassic age and the sedimentary rocks of the Middle Jurassic Bowser assemblage. Younger rocks are largely plutonic stocks, plugs and dyke swarms emplaced during the Tertiary period.

PROPERTY GEOLOGY AND MINERAL DEPOSITS

The silver deposits of Mt. Rainey are contained within a sequence of intermediate to felsic volcanic rocks which correlate with lithologies that host the major precious metals deposits to the north (Alldrick, 1984). These rocks are largely coarse pyroclastics, tuffs of various types, and minor volcanic sediments, believed to have been deposited in a marine environment. Stratigraphy trends north-south and dips moderately to steeply to the west (Figure 2).

Due to the nature of faulting on the property, it is probable that the silver veins are hosted within a collapsed caldera marked by numerous small and large scale horst and graben systems similar to other major hydrothermal precious metal districts of the Cordillera.



GEOLOGY OF THE MT. RAINEY AREA

(MODIFIED AFTER ALLDRICK, 1984)

Fig. 2

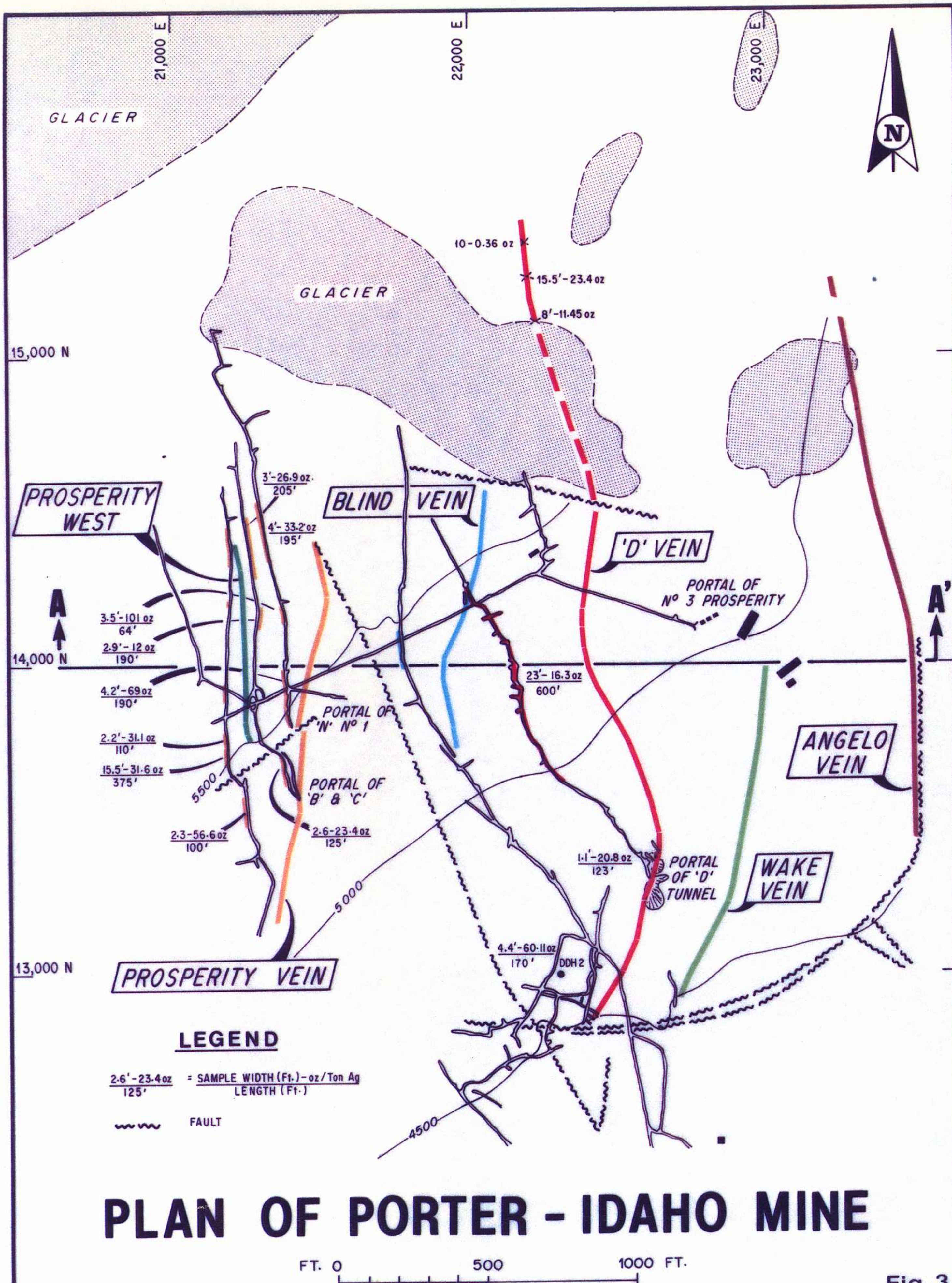
The silver mineralization is contained within largely brittle shear zones on the Prosperity, Porter-Idaho side of Mt. Rainey and within more ductile shears on the Silverado side. The difference between the two areas is probably a function of pressure resulting from the 2,000-foot vertical difference in elevation of the two sites.

On the Prosperity, Porter-Idaho ground, the shear-vein widths range between 4 and 40 feet and are mineralized with a suite of silver-bearing minerals including galena, tetrahedrite, argentite, polybasite and pyrargyrite. Pyrite, chalcopyrite and sphalerite occur in varying amounts. Native silver has been noted protruding from samples of coarse sphalerite.

The veins are roughly parallel, cross-cut stratigraphy, trend in a general north-south direction and dip moderately to steeply to the west. Some minor east-west vein structures cross-cut this trend and may both predate and postdate the major north-south veins (Figures 3 and 4).

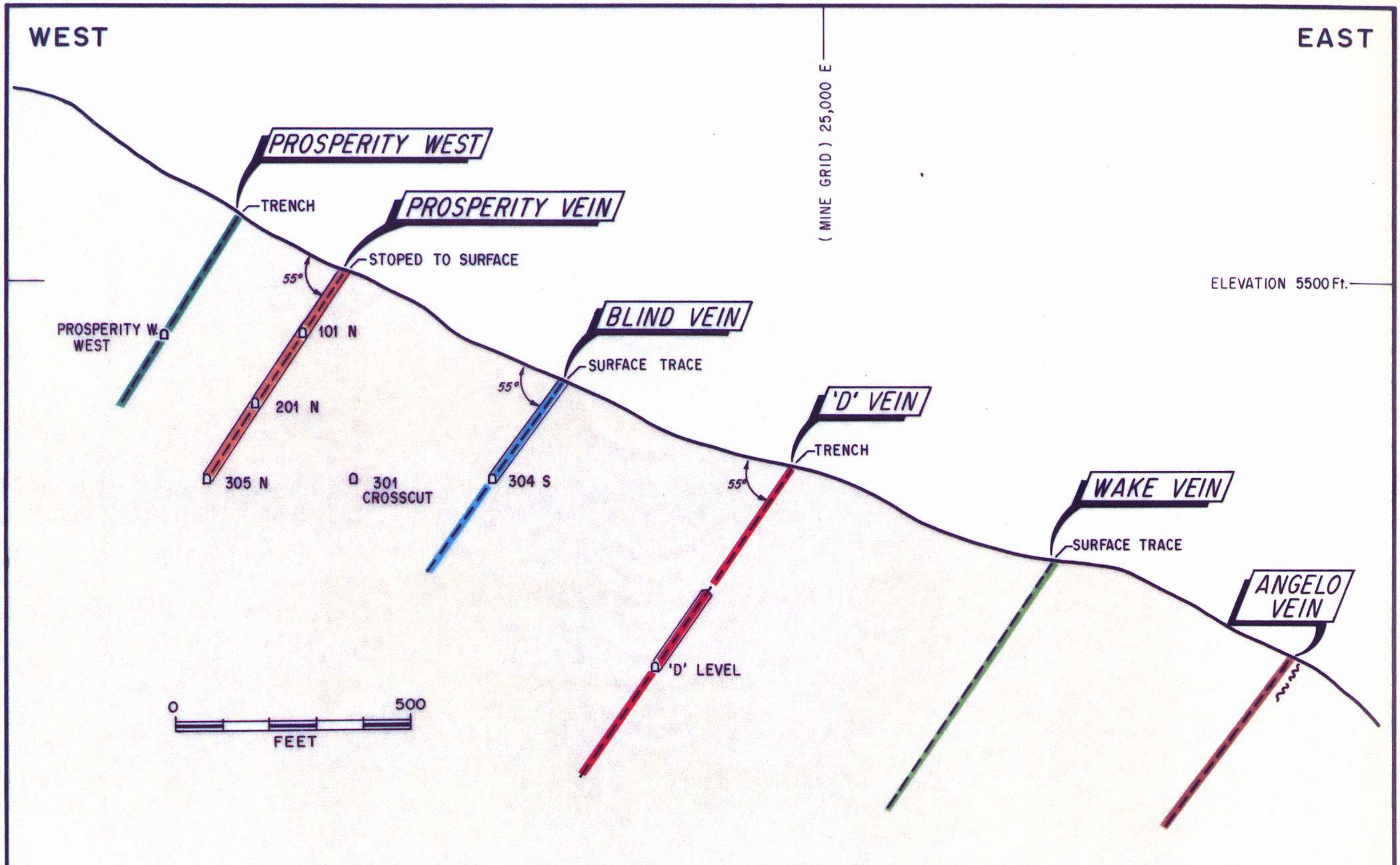
Economic mineralization occurs in veins in shear zones as lenses or shoots. High-grade bands frequently occur both in the footwall and hanging wall, occasionally converging to form a thicker single vein within the shear zone. Stringer and fracture mineralization radiates from the high-grade bands.

Vein material includes fractured, sheared and altered host volcanics, minor quartz, varying amounts of buff coloured carbonate and abundant black manganese oxide. This material is easily eroded by weathering and only intermittent vein outcrops are exposed on surface.



PLAN OF PORTER - IDAHO MINE

Fig. 3



CROSS-SECTION THROUGH PROSPERITY / PORTER IDAHO MINE WORKINGS , SECTION A - A'

Fig. 4

MINERAL RESERVES

The known reserves of the Prosperity, Porter-Idaho mine are limited to those vein areas which are accessible through rehabilitation of the old workings These workings cover only a portion of the known strike length of the veins and only a small area of their known vertical extent. Pacific Cassiar has shown that most of the vein material was left behind by Premier Gold Mines because it did not meet the minimum cutoff grade.

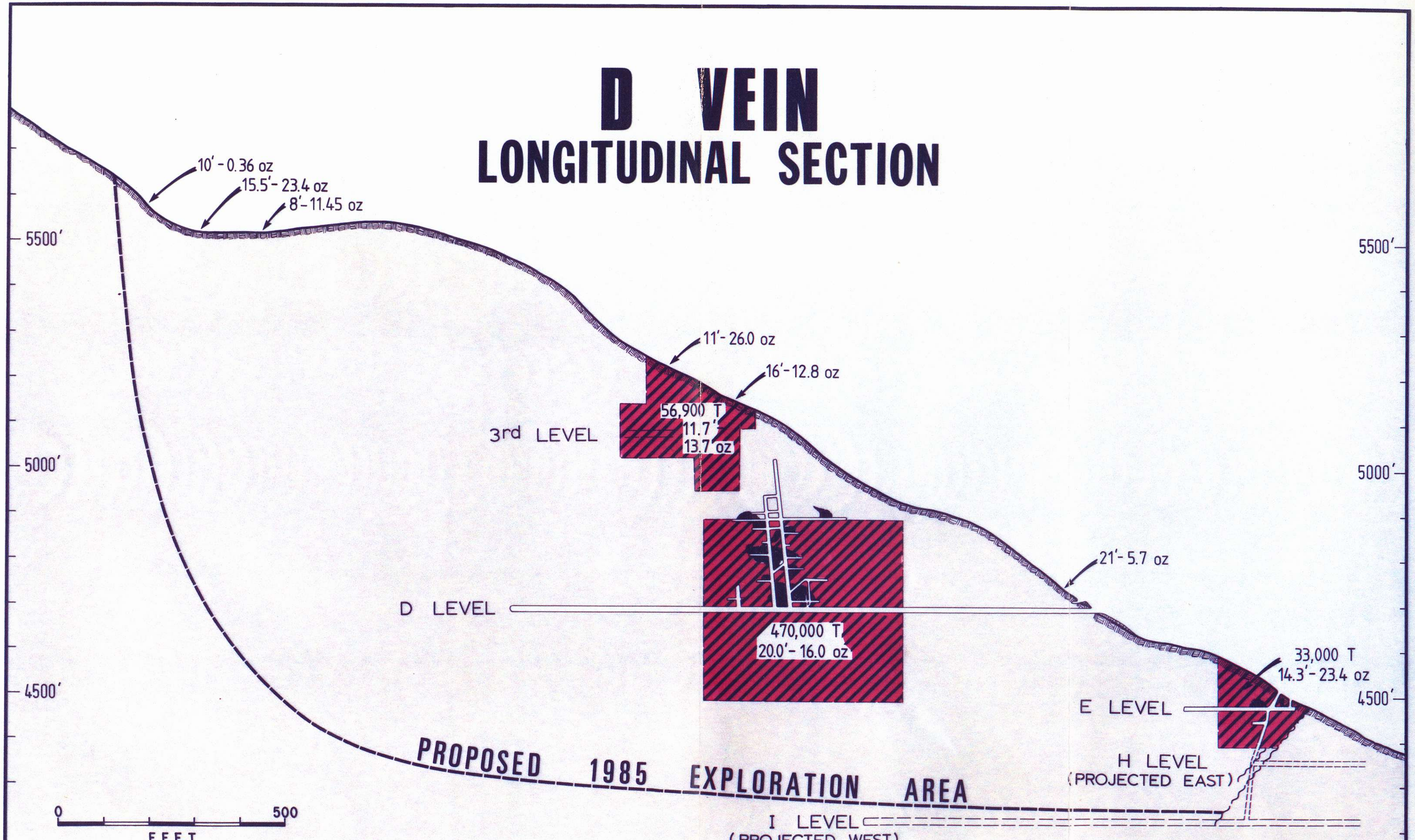
Currently estimated reserves are:

Vein	Tons	Grade oz/t Ag
'D'	629,600	16.6
Prosperity	263,250	26.4
Blind	18,660	21.6
Total	911,510	19.5

PROPOSED EXPLORATION

In 1985, a surface and underground drilling program estimated to cost $1,000,000 will be undertaken to explore the Prosperity and D Veins. Underground development will include rehabilitation of portions of the old workings to provide diamond drill stations.

One surface drill and one underground drill will complete 15,000 to 20,000 feet of drilling in 50 or more holes. These holes will be spotted to test an area of the D Vein approximately 2,100 feet long over a vertical interval of 900 feet (Figure 5)and on the Prosperity Vein, an area approximately 1,000 feet long over a vertical interval of about 700 feet (Figure 6). The drilling will firm up and attempt to increase the reserves on these two veins. Surface drilling is planned for the Angelo Vein.



D VEIN
LONGITUDINAL SECTION
10' - 0.36 oz
15.5'- 23.4 oz
8'- 11.45 oz
5500'
5500'
11'- 26.0 oz
16'- 12.8 oz
56,900 T
11.7'
13.7 oz
3rd LEVEL
5000'
5000'
21'- 5.7 oz
D LEVEL
470,000 T
20.0'- 16.0 oz
33,000 T
14.3'- 23.4 oz
4500'
4500'
E LEVEL
H LEVEL
(PROJECTED EAST)
PROPOSED 1985 EXPLORATION AREA
0
500
FEET
I LEVEL
(PROJECTED WEST)

FIGURE 5

PROSPERITY VEIN
LONGITUDINAL SECTION

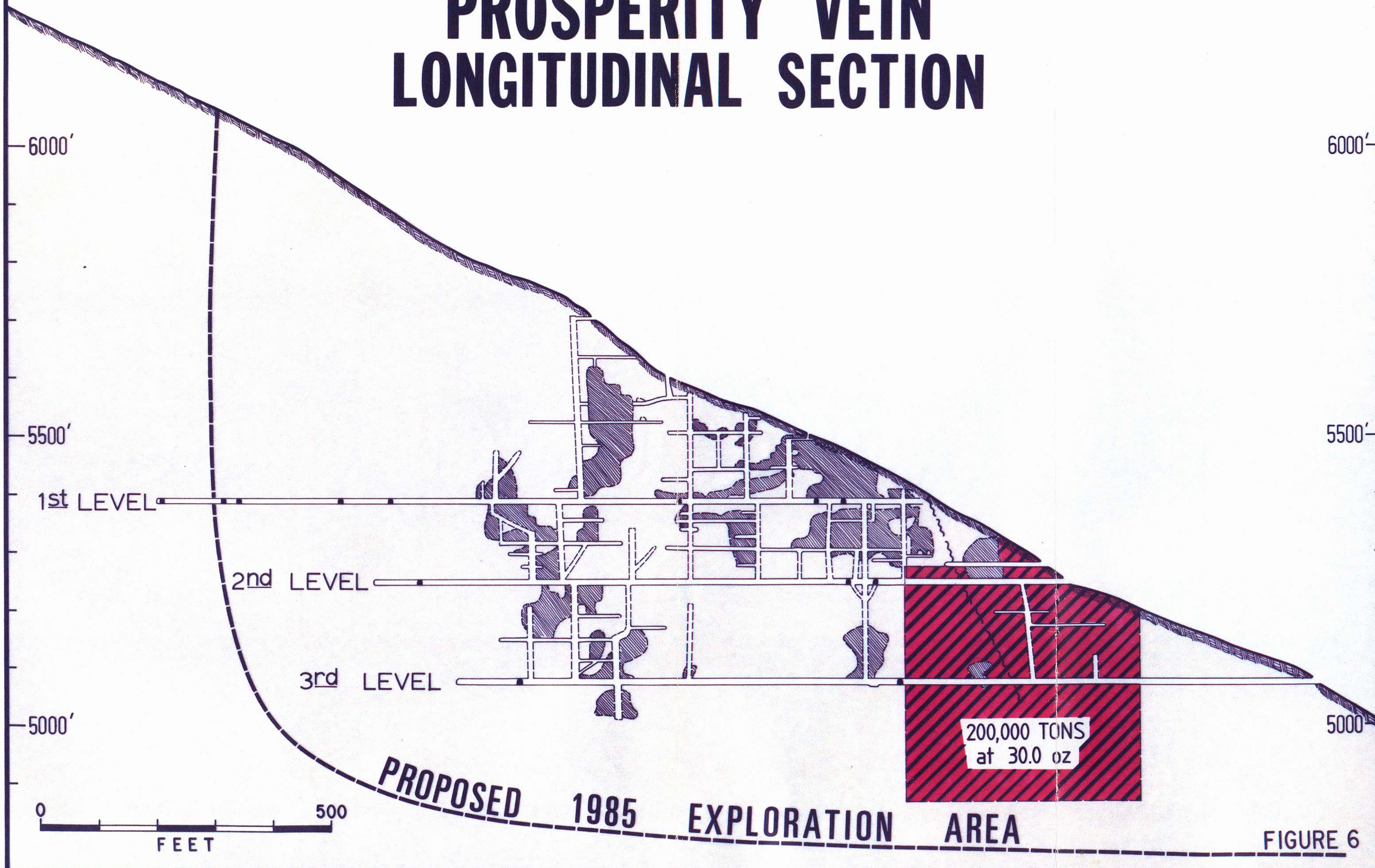


FIGURE 6

FUTURE DEVELOPMENT

If sufficient reserves are proven to justify development, a tunnel will be driven from the Silverado Mine to extend beneath the Porter-Idaho workings (Figure 1a). This will open up over 7,000 ft. of the vein system for exploration. In addition, access to the property will be vastly improved, since the mine opening will be at tidewater near Stewart, with year-round operations possible. Stewart, which owes its existence to mining, will serve ideally as the townsite for the mining crew when the property is placed into production.

References:

Alldrick, D.J. and Kenyon, J.M. (1984): The Prosperity/Porter Idaho Silver Deposits, B.C. Ministry of Energy, Mines and Pet. Res., Geological Fieldwork, 1983, Paper 1984-1, pp 165-172.

Pacific Cassiar Limited
1984 Annual Report

COVER PHOTO
Drilling Rig
on Magrath
well site.

DIRECTORS' REPORT TO SHAREHOLDERS

FINANCIAL

Presented herewith are the audited financial statements for the fiscal year ended October 31, 1984. The Company has maintained a strong working capital position while adding substantively to its oil and gas holdings, and enhancing its mining properties through exploratory work. Cash flow from operations continues to increase gradually and should show a marked improvement in future years as more of its oil and gas properties are brought into production. Office and administrative expenses will continue to be maintained at a minimum.

OIL AND GAS

Production from oil and gas has been the mainstay of the Company for the past several years. Although not large in terms of earnings per share, it has nonetheless covered office and administrative expenses and permitted expansion of the oil and gas assets, and the enhancement of the Company's mining properties through equity financing. Cash flow from oil and gas operations will continue to improve and within several years should make the Company self-sustaining largely eliminating the need for equity financing.

During 1984, the Company participated in the drilling of five wells, two of which were successful oil wells and three were abandoned. Following is a summary of activities in the various areas of Alberta which have experienced or should experience activity in the near term:

Camrose — The Company has an interest in one shut-in Belly River gas well and holds the P & NG rights to 1½ sections of land. Plans are being formulated to drill a well on the Company's lands towards the end of 1985. An industrial gas contract will be available if the well is successful.

Innisfail — The Company holds an interest in three Pekisko gas wells, and one well is planned in 1985. If successful, the well will complete the Company's development program in this area. Steps will then be taken to obtain a gas contract and place the project on stream.

The Company has maintained its acreage on the Western flank of the Innisfail Leduc oil reef. Seismic information indicates the possibility of either an off-reef rim or pinnacle structure. The Company continues to seek a farmee for these lands.

Keho — An aggressive land acquisition program has yielded the Company interests varying from 25 -100% in eight sections of land. A well is currently being drilled on these lands which are prospective for oil production in the Bow Island conglomerate, and natural gas in the main Bow Island sand. If the well currently drilling is successful a multi-well drilling program will be undertaken.

Magrath — The Company has recently drilled and completed a well on its land holdings in this area. Logs indicate the well is similar to an adjacent prolific well which is on stream. Steps are being taken to obtain a gas contract and have the well placed on production. Further drilling is contemplated by the Company and others in this area.

Medicine River - Prevo — The Company holds an interest in three producing oil wells in this area, one of which is a dual completion. One well will shortly commence drilling under a farmout to an independent group of companies. In the meantime, the Company will participate in either the recompletion or redrilling of a suspended oil well in this area.

Wimborne — The Company has an interest in a Belly River gas well which was drilled in 1983, and was recently placed on production.

In addition to the above the Company holds interests in small tracts of land in south-central Alberta. The possibility exists that one or more of these may be drilled in the next year.

The Company plans to continue to acquire P & NG Leases on lands considered prospective for oil and gas and look to their development primarily through farmout. However, as the Company's cash position improves, dilution through farmout will become less and less desirable, and therefore funds generated through production may be used for future drilling.

BASE METALS

The Company holds interests in three base metal properties in British Columbia. Work during 1984 included diamond drilling on one property and a detailed geophysical survey on another. Following is a brief discussion of the status of each.

Chu Chua — This significant copper and precious metals deposit is located near Barriere, British Columbia, about 70 kilometres north of Kamloops. Some 50 diamond drill holes have outlined a deposit which extends from surface to a depth of 600 metres. The upper 200 metres of the deposit contains indicated reserves of 2,500,000 metric tonnes grading 2% copper with values in zinc and precious metals. The lower portion of the deposit from 200 to 600 metres below surface has not been drilled in sufficient detail to determine grade and reserve figures; however, gold values are substantially higher at depth. In addition, there is considerable potential for new discoveries on this property which encompasses 14,500 acres.

On December 31, 1984, Craigmont Mines Limited relinquished its option to the property, and the Company now holds an undivided 33⅓% interest together with two joint venture partners each holding equivalent interests. The operator under the joint venture is endeavoring to farmout the property to a company or companies with the necessary expertise and financial resources to advance development.

Downie Creek — The Company's Downie Creek prospect, located 70 kilometres north of Revelstoke near Noranda's Goldstream Mine, is a copper, zinc, and precious metals deposit which has similarities to the Goldstream mine.

Nook — The Company holds a 9% interest in a massive sulphide prospect east of Prince George, British Columbia. Diamond drilling in May of 1984 tested a geophysical conductor with negative results. Other targets remain to be tested by drilling.

PRECIOUS METALS

The Company holds two precious metals properties near Stewart, British Columbia. During 1984 diamond drilling on the Prosperity Porter Idaho property added to the already substantial reserves of high grade silver. Following is a résumé of developments on these properties:

Glacier Creek — No definitive assessment of the 46 precious metals crown grant claims is planned for 1985; however if preliminary examination and sampling confirms the good grade gold-silver mineralization reported from old workings more extensive work may be carried out.

Prosperity - Porter Idaho — In 1984 the Company carried out limited percussion and diamond drilling of previously untested portions of the D vein. Drilling results obtained permitted reserve reclassification of several blocks from possible to probable categories, thereby increasing the probable reserves to 911,000 tons grading 19.5 oz/ton silver and about 5% combined lead/zinc.

By agreement dated January 24, 1985, the Company optioned this property to Teck Corporation. Under the agreement, Teck shall subscribe for 150,000 Class A shares at $2.00 per share, and shall expend a minimum of $1,000,000 on the property during 1985. Teck then has the option to incur further expenditures in accordance with the following minimum schedule:

(a) $500,000 on or before December 31, 1986;
(b) $1,000,000 on or before December 31, 1987;
(c) $2,500,000 on or before December 31, 1988.

Upon expending $5,000,000 on the property, Teck shall earn an undivided 50% interest therein, and further work and development will be undertaken as a 50-50 joint venture between Teck and the Company.

If Teck permits its option to lapse, the property shall be transferred to a new Company (Newco) in exchange for 10,000,000 common shares of Newco to be issued to the Company and Teck in the ratio of their respective interests in the property; Teck will earn at the rate of 1% interest in the property for each $100,000 of expenditures. In addition, Teck has the right until December 31, 1988, to convert 1,000,000 common shares of Newco to 500,000 Class B non-voting shares of the Company.

In the event of a production decision, the Company may arrange its own financing, or require Teck to finance the full project in consideration of either a share-based bonus or a property-based bonus payable to Teck. Under normal market conditions, this option will not result in a substantive dilution of the Company's shares or the Company's interest in the property.

Teck's program of underground and surface diamond drilling, budgeted at $1,000,000, will commence in May 1985 to test a portion of the Prosperity and D veins as the first stage in a comprehensive ore delineation program which could take several years.

ON BEHALF OF THE BOARD OF DIRECTORS

STEVE VAVRA
President

Consolidated Financial Statements
October 31, 1984

AUDITORS' REPORT

To The Shareholders
Pacific Cassiar Limited

We have examined the consolidated balance sheet of Pacific Cassiar Limited as at October 31, 1984 and the consolidated statements of income, mining claims and deferred exploration expenditures — mining, retained earnings 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 October 31, 1984 and the results of its operations, changes in mining claims and deferred exploration expenditures — mining and 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.

Calgary, Canada
February 4, 1985

Collins Barrow
Chartered Accountants

Pacific Cassiar Limited

(Continued under the Canada Business Corporations Act)

Consolidated Balance Sheet
October 31, 1984

ASSETS

	1984	1983
Current assets		
Cash and deposit receipts	$ 783,046	$ 739,083
Investments in marketable securities (note 2)	97,053	184,261
Accounts receivable	157,062	57,105
Income taxes recoverable	7,355	—
Due from Pacific Cassiar Resource Partnership 79-80	8,001	11,310
Due from Pacific Cassiar Resource Partnership 80-81	1,805	7,984
Prepaid expenses	1,429	2,479
	1,055,751	1,002,222
Mining claims and deferred exploration expenditures — mining	2,074,770	1,904,324
Property, plant and equipment (note 3)	994,304	770,259
	$ 4,124,825	$ 3,676,805

LIABILITIES

	1984	1983
Current liabilities		
Bank indebtedness (note 4)	$ 33,000	$ 36,000
Accounts payable and accrued liabilities	98,378	107,309
Due to Pacific Cassiar (1978) Resource Program #1	12,149	8,251
	143,527	151,560
Deferred income taxes	143,350	104,550

SHAREHOLDERS' EQUITY

	1984	1983
Share capital (note 5)	3,581,929	3,253,198
Retained earnings	256,019	167,497
	3,837,948	3,420,695
Contingent liability (note 6)		
	$ 4,124,825	$ 3,676,805

Approved on behalf of the Board,

Director

Director

Pacific Cassiar Limited

Consolidated Statement of Mining Claims and Deferred Exploration Expenditures — Mining
Year ended October 31, 1984

	Balance, October 31, 1983	Additions during Year	Balance, October 31, 1984
Mining claims, at cost	$ 366,908	$ —	$ 366,908
Mining exploration: British Columbia			
Stewart area	1,304,725	159,418	1,464,143
Less: Option payments	(25,000)	(16,667)	(41,667)
	1,279,725	142,751	1,422,476
Other mining properties	83,796	—	83,796
Less: Option payments	(50,000)	—	(50,000)
	33,796	—	33,796
	1,313,521	142,751	1,456,272
Administrative costs	223,895	27,695	251,590
	1,537,416	170,446	1,707,862
	$ 1,904,324	$ 170,446	$ 2,074,770

Consolidated Statement of Income
Year ended October 31, 1984

	1984	1983
Revenue		
Oil and gas sales	$ 123,677	$ 113,584
Interest	78,912	24,258
Pipeline rental	1,726	1,348
Royalty	10,804	—
	215,119	139,190
Expenses		
Production	23,735	30,834
General and administrative	70,514	77,440
Depletion	18,000	14,634
Depreciation	1,684	1,521
	113,933	124,429
Less: Recovery of general and administrative expenses	58,347	45,130
	55,586	79,299
Earnings before the following	159,533	59,891
Other income (expenses)		
Gain on sale of investments	1,776	27,800
Write-down of investments to market value	(33,987)	(20,160)
	(32,211)	7,640
Income before income taxes	127,322	67,531
Deferred income taxes	38,800	1,850
Net income	$ 88,522	$ 65,681
Net income per share	$ 0.025	$ 0.020

Pacific Cassiar Limited

Consolidated Statement of Retained Earnings
Year ended October 31, 1984

	1984	1983
Retained earnings, beginning of year	$ 167,497	$ 101,816
Net income for the year	88,522	65,681
Retained earnings, end of year	$ 256,019	$ 167,497

Consolidated Statement of Changes in Financial Position
Year ended October 31, 1984

	1984	1983
Working capital was provided by		
Current operations	$ 147,006	$ 83,686
Issue of share capital	364,065	1,072,903
Option payment on mineral claims	16,667	10,000
	527,738	1,166,589
Working capital was used for		
Exploration expenditures on mining properties	187,113	336,894
Exploration and development expenditures on property, plant and equipment	243,729	62,565
Reduction in subscribers' funds held pending issue of share capital	—	81,000
Purchase of Class B treasury shares	35,334	—
	466,176	480,459
Increase in working capital	61,562	686,130
Working capital, beginning of year	850,662	164,532
Working capital, end of year	$ 912,224	$ 850,662

Pacific Cassiar Limited

Notes to Consolidated Financial Statements
October 31, 1984

1. Summary of significant accounting policies

a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Pacific Cassiar Inc.

b) Mining operations

The company follows the practice of deferring all costs related to the acquisition of and exploration for mining prospects until commencement of commercial production. If a prospect area is subsequently abandoned or sold, all capitalized costs relating to the area are charged to earnings. Realization of mining claims and deferred exploration expenditures — mining is dependent upon future development, since the properties represented by these deferred expenditures are substantially undeveloped.

c) Exploration and development costs — petroleum and natural gas

The company follows the full cost method of accounting for exploration and development costs, wherein all costs related to the exploration for and the development of oil and gas reserves are initially capitalized. Costs capitalized include land acquisition cost, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells together with overhead and interest directly related to exploration and development activities. Proceeds on minor property sales are credited to the net book value of the property and equipment. Gains or losses on major property sales are normally recognized in the statement of income.

Exploration and development costs are allocated to one cost centre, namely North America (Canada and the United States).

Costs capitalized in the cost centre are depleted on the composite unit-of-production method based on estimated proven oil and gas reserves as determined by independent and company engineers.

d) Depreciation

Depreciation of production equipment is provided for on the composite unit-of-production method. Depreciation of other fixed assets is computed on the declining balance method at 20% per annum.

e) Joint venture accounting

Substantially all of the company's exploration activities related to petroleum and natural gas and mining are conducted jointly with others and accordingly the accounts reflect only the company's proportionate interest in such activities.

f) Translation of foreign currencies

The accounts of the foreign subsidiary have been translated to Canadian dollars as follows:

(i) monetary items are translated at the rate of exchange in effect at the balance sheet date;

(ii) non-monetary items are translated at historical exchange rates;

(iii) revenue and expenditure items, other than depreciation, and depletion are translated at the rate of exchange in effect on the dates they occur or at the average rate for the period;

(iv) depreciation and depletion are translated using the same rates as the assets to which they relate;

(v) exchange gains or losses arising from the translation of monetary items are included in the determination of net income.

g) Income per share

Basic income per share has been calculated using the weighted average number of shares outstanding during the year.

2. Investments in marketable securities

Investments in marketable securities consists of the following:

	1984	1983
Marketable securities, at cost	$ 218,103	$ 276,224
Less: Write-down to market value	121,050	$ 91,963
	$ 97,053	$ 184,261

3. Property, plant and equipment

Property, plant and equipment is carried at cost and consists of the following:

	1984			1983
	Cost.	Accumulated Depletion and Depreciation	Net	Net
Oil and gas properties including exploration and development costs thereon	$ 1,002,615	$ 58,434	$ 944,181	$ 727,603
Production equipment	51,463	4,078	47,385	39,885
Other	5,500	$ 2,762	$ 2,738	$ 2,771
	$ 1,059,578	$ 65,274	$ 994,304	$ 770,259

4. Bank indebtedness

Bank indebtedness consists of a $33,000 (1983 - $36,000) demand loan bearing interest at prime plus 1.5%. The demand loan is unsecured, however the company has provided a letter of undertaking to pledge certain oil and gas properties as security, if requested by the bank.

5. Share capital

Authorized

10,000,000 Class A shares without par value

10,000,000 Class B non-voting shares without par value

Issued

	Number of Shares	Stated Value
Class A shares (1983 - 2,932,065 shares with a stated value of $1,775,295)	2,932,065	$ 1,775,295
Class B non-voting shares		
Balance, October 31, 1983	630,865	1,477,903
Issued during the year		
For cash	100,000	250,000
Exercise of warrants for cash	42,389	127,372
Less: Costs of issue	—	(13,307)
	773,254	1,841,968
Less: Shares held in treasury	18,800	35,334
	754,454	$ 1,806,634
		$ 3,581,929

6. Contingent liability

The Company is one of four defendants in a legal proceeding arising from a dispute over the acquisition of a petroleum and natural gas lease to a 160 acre parcel of land in Alberta. The Company purchased a 12.5% interest in the property for $9,546 at a public Crown Sale held in 1982. On February 25, 1983, the defendants filed a defence, denying any and all allegations made in the Statement of Claim, and lodged a counterclaim for $100,000 special damages, $15 million general damages and $1 million punitive damages. The Statement of Claim pleaded that the property was held in trust and claimed $6 million in general and punitive damages. In the opinion of legal counsel, there is no evidence to substantiate the claim against the Company and no provision has been made in the financial statements with respect to the claim, or the counterclaim.

7. Segmented information

	1984		
	Canada	**U.S.**	**Total**
Deferred expenditures — mining	$ 2,074,770	$ —	$ 2,074,770
Oil and gas properties and equipment	931,493	62,811	994,304
Other assets	1,055,751	—	1,055,751
Total identifiable assets	$ 4,062,014	$ 62,811	$ 4,124,825

	1983		
	Canada	**U.S.**	**Total**
Deferred expenditures — mining	$ 1,904,324	$ —	$ 1,904,324
Oil and gas properties and equipment	707,696	62,563	770,259
Other assets	$ 1,002,222	—	1,002,222
Total identifiable assets	$ 3,614,242	$ 62,563	$ 3,676,805

All revenue and expenses are derived from Canadian operations.

8. Remuneration of directors and officers

The aggregate direct and indirect remuneration paid during the year by the company to the directors and senior officers totalled $63,659 (1983 - $86,170).

9. Subsequent event

On January 24, 1985, the company entered into an agreement with another corporation to issue 150,000 Class A shares at a price of $2 per share. This issuance of shares is contingent based on final approval by The Toronto Stock Exchange.

10. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

Pacific Cassiar Limited

CORPORATE INFORMATION

DIRECTORS AND OFFICERS

Steve Vavra, B.Sc., LL.B., P.Eng.
Director and President
Calgary, Alberta

John A. Greig, B.Sc., M.Sc., P.Geol.
Director and Secretary
Richmond, British Columbia

William B. Hick, M.D.
Director
Prince Rupert, British Columbia

Stanley Vavra
Director
Picture Butte, Alberta

J. Michael Kenyon, B.Sc., M.Sc., P.Geol.
Director and Vice-President
Richmond, British Columbia

Gregory A. Vavra, B. Comm.
Vice-President
Calgary, Alberta

George Pilkington
Treasurer
Calgary, Alberta

REGISTERED AND RECORDS OFFICE

#805, 550 - 6th Avenue S.W.
Calgary, Alberta T2P 0S2

AUDITORS

Collins Barrow
800 Gulf Canada Square
410 - 9th Avenue S.W.
Calgary, Alberta T2P 3C5

BANK

Royal Bank of Canada
600A - 6th Avenue S.W.
Calgary, Alberta T2P 0S4

CAPITALIZATION

Authorized: 10,000,000 Class A shares without par value, and
10,000,000 Class B non-voting shares without par value.

Issued: 2,932,065 Class A shares without par value, and
754,454 Class B non-voting shares without par value.

REGISTRAR AND TRANSFER AGENT

The Canada Trust Company
Four Bentall Centre
Vancouver, British Columbia V7X 1P3

and

110 Yonge Street
Toronto, Ontario M5C 1T4

STOCK EXCHANGE LISTING

Toronto Stock Exchange
The Exchange Tower
2 First Canadian Place
Toronto, Canada M5X 1J2

MCARA
PRINTING
LIMITED
Calgary, Alberta, Canada

TO THE SHAREHOLDERS:

The interim financial statements for the six month period ended April 30, 1985 are presented herewith. These indicate cash flow from operations continue to improve and the Company's working capital position remains strong. Recently, $300,000 was added to the Company's treasury when Teck Corporation subscribed for 150,000 Class A shares pursuant to an agreement dated January 24, 1985.

The Company's oil and gas activities are being pursued on several fronts. Nearly ten sections of freehold oil and gas leases have been acquired in the Keho and Magrath areas of southern Alberta, some of which are near producing properties. Two wells were drilled on these properties, one of which is indicated to be a prolific gas well. The Company holds a 90% interest in this well and interests varying from 50 to 100% in nearby leases. Follow-up drilling on the Company's lands will be carried out in the near future. A gas contract is available and production should commence within a year.

The Company plans to drill one additional well on its Innisfail Pekisko gas project where it currently holds interests varying from 6.25% to 60% in three shut-in gas wells. If successful, the planned well will complete development drilling and a gas contract and production facility would be pursued. The project should be brought on stream within the next two years.

The Company also plans to participate immediately in drilling an offset well to an oil discovery near Penhold, Alberta. Production records indicate the new well produced 4800 barrels in March 1985. The Company holds 15 - 25% interest in one section of freehold lands adjacent to the new find.

The Company is seeking farmees for lands in the Camrose and Markerville areas of central Alberta. These prospects should be drilled before year end.

Negotiations are nearing completion to option the copper discovery near Chu Chua Mountain, B.C. which was returned to the Company and its two joint venture partners

Pacific Cassiar Limited

CONSOLIDATED BALANCE SHEET
APRIL 30, 1985

ASSETS

	1985	1984
Current Assets		
Cash and Short-Term Deposits	$ 975,214	$ 725,657
Investments in Marketable Securities	251,529	135,912
Accounts Receivable	52,337	71,004
Accrued Interest Earned	43,177	--
Prepaid Insurance	2,078	2,100
	1,324,335	934,673
Mining Claims and Deferred Exploration Expenditures — Mining	2,117,438	1,898,606
Property, Plant and Equipment	1,287,193	870,834
	3,404,631	2,769,440
	$4,728,966	$3,704,113

LIABILITIES

	1985	1984
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 139,482	$ 13,261
Bank Loans	287,000	25,000
	426,482	38,261
Deferred Income Taxes	143,350	104,550

SHAREHOLDER EQUITY

	1985	1984
Share Capital		
Authorized 10,000,000 Class "A" Shares		
Authorized 10,000,000 Class "B" Non-Voting Shares		
Issued and Fully Paid		
3,082,065 Class "A" Shares	2,075,295	1,775,295
747,954 Class "B" Non-Voting Shares	1,797,584	1,604,681
	3,872,879	3,379,976
Retained Earnings	286,255	181,326
	4,159,134	3,561,302
Contingent Liability	NIL	—
	$4,728,966	$3,704,113

PREPARED WITHOUT AUDIT

Pacific Cassiar Limited

CONSOLIDATED STATEMENT OF MINING CLAIMS AND DEFERRED EXPLORATION EXPENDITURES — MINING
Six Month Period Ended April 30, 1985

	Balance October 31 1984	Addition During Period	Balance April 30 1985
Mining Claims at Cost	$ 366,908	$ —	$ 366,908
Mining Exploration:			
British Columbia			
Stewart Area	1,464,143	32,343	1,496,486
Less: Option Payments	(41,667)		(41,667)
	1,422,476		1,454,819
Other Mining Properties	83,769	—	83,796
Less: Option Payments	(50,000)	—	(50,000)
	33,796	—	33,796
Administrative Costs	251,590	10,325	261,915
	$2,074,770	$ 42,668	$2,117,438

CONSOLIDATED STATEMENT OF INCOME
Six Month Period Ended April 30, 1985

	1985	1984
Revenue		
Oil and Gas Sales	$ 55,870	$ 29,017
Pipeline Rental	1,209	429
Royalty	10,076	192
Interest and Dividends	52,007	33,749
	119,162	63,387
Expenses		
Production	11,534	9,011
General and Administration	82,731	51,520
	94,265	60,531
Income Before Extraordinary Items	24,897	2,856
Gain on Sale of Investments	5,339	10,974
Net Income	$ 30,236	$ 13,830

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Six Month Period Ended April 30, 1985

	1985	1984
Retained Earnings, Beginning of Period	$256,019	$167,497
Net Income for the Period	30,236	13,830
Retained Earnings, End of Period	$286,255	$181,327

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Six Months Ended April 30, 1985

	1985	1984
Working Capital Was Provided By:		
Current Operations	$ 30,236	$ 13,830
Issue of Share Capital	300,000	126,778
Working Capital Was Used For:		
Exploration Expenditure on Mining Properties	42,668	(5,717)
Exploration and Development Expenditures on Property, Plant and Equipment	292,889	100,575
Purchase of Class B Non-Voting Shares	9,050	—
	344,607	94,858
Increase (Decrease) in Working Capital	(14,371)	45,750
Working Capital, Beginning of Period	912,224	850,662
Working Capital, End of Period	$897,853	$896,412

PREPARED WITHOUT AUDIT

in December 1984. Craigmont Mines which formerly worked the property under an option agreement established indicated reserves of 2,500,000 metric tonnes grading 2% copper. The deposit remains open to depth and on strike, and there is also potential for new discoveries on these extensive properties. The Company holds a 33⅓% interest in the Property.

Near Stewart, British Columbia, Teck Corporation has commenced work on the Company's wholly-owned Prosperity - Porter Idaho silver properties. Pursuant to an agreement with the Company, Teck must spend $1,000,000 on the property in 1985 and plans to complete 20,000 feet of diamond drilling. Teck then has the option to spend $500,000 in 1986, $1,000,000 in 1987 and $2,500,000 in 1988 to earn a 50% interest in the property. Currently, probable reserves are estimated at 911,000 tons grading 19.5 oz/ton silver and about 5% combined lead-zinc.

Your management believes that the Company is in a very good position to benefit from an up-turn in the economy and the generally improved attitude to equity investment. Oil and gas will continue to provide the Company with a steady and improving cash flow which together with working capital on hand will be used to further expand oil and gas operations. In the meantime, the Company's two prime mining properties will be advanced under option agreements with other companies.

June 14, 1985 On Behalf of the Board

STEVE VAVRA
President

Pacific Cassiar Limited
805, 550 - 6th Avenue S.W.
Calgary, Alberta
T2P 0S2

CALGARY 30 VI 1985 ALTA

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
April 30, 1985

Pacific Cassiar Limited