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INTERNATIONAL
SHASTA
RESOURCES LTD.



ANNUAL REPORT 1986



**CORPORATE
DATA**

BOARD

H.C. Faulkner
West Vancouver, B.C.
David P. Gray, P.Eng.
West Vancouver, B.C.
P.H. Tate Blanchet, P.Eng.
Mission, B.C.

OFFICERS

H.C. Faulkner
President
Margaret A. Lewis
Secretary

AUDITORS

Campbell, Saunders & Co.
1200 - 650 West Georgia Street
Vancouver, B.C. V6B 4N7

SOLICITORS

Munro & Kingsmill
400 - 1140 West Pender Street
Vancouver, B.C. V6E 4G1

CONSULTANTS

P.H. Tate Blanchet, P.Eng.
International Geosystems Corp.
David P. Gray, P.Eng.
Gerald Weathers, P.Eng.

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REGISTRAR & TRANSFER AGENT

National Trust Company
900 - 666 Burrard Street
Vancouver, B.C. V6C 2Z7

BANKS

Royal Bank of Canada
Pender & Bute Branch
Vancouver, B.C.
Bank of Nova Scotia
Marine & MacGowan
North Vancouver, B.C.
Cummerland Valley National Bank & Trust
London, Kentucky

HEAD OFFICE

International Shasta Resources Ltd.
Suite 409 - 1200 West Pender Street
Vancouver, B.C., Canada V6E 2S9
Telephone (604) 669-2812

SHARES LISTED

Vancouver Stock Exchange
Trading Symbol ISR

ANNUAL MEETING

The Company's Annual General Meeting of Shareholders will be held on Friday, October 10, 1986 at 400 - 1140 West Pender Street in Vancouver, British Columbia, commencing at 9:00 a.m.



PRESIDENT'S REPORT TO THE SHAREHOLDERS

I am pleased to report that although 1986 has seemingly been a slow and inactive year in the area of development, positive steps were taken and events occurred that strengthened the Company's marketable profile. Upon shareholders approval at the extraordinary Shareholders' Meeting held February 14, 1986, the Company was converted from a specially Limited Company into a Limited Company and the authorized capital was increased from 10,000,000 shares with a par value of \$2.50 to 30,000,000 Common Shares without par value.

On July 17, 1986 the Company was successful in its Supreme Court Appeal action to regain an undisputed 100% interest in its Toodoggone gold-silver property. Our property holdings in the Toodoggone area have increased from the original 14 units to a block of approximately 80 units. No work was done on the property this year, however, a number of companies have expressed interest in our gold deposit.

As more positive results are continually being reported by a number of companies doing exploration work in the area, the Toodoggone holds much promise of becoming a major B.C. gold camp in the near future. Shasta's property, because of its location and size and because of the positive results achieved to date shows potential of becoming a viable open pitable gold-silver deposit.

The Kentucky Oil operation continues to provide the Company with oil revenue although declining oil prices have taken their toll. No new wells were drilled during the year. Production to year-end, April 30, 1986, was 5,482 barrels for net revenue after royalties of \$75,392, compared to 6,852 barrels for net revenue of \$99,989 in 1985. A further contributor to the decline in income was a decision to defer the service and reworking of five oil wells due to the low price. Current wellhead price is \$12.25 U.S. per barrel.

Validation work is being completed for another year on the Ajax Uranium property located in Gila County, Arizona, at a cost of \$2,200 U.S. These claims are 100% owned by the Company subject to a 2% royalty interest and are surrounded by claims currently held by Westinghouse. Results of the validation work become more interesting each year.

In September of 1985, Western Geophysical Aero Data Ltd. completed an airborne VLF-Electromagnetometer and Magnetometer survey on the Company's Yuma gold-silver property and placer lease located in the Wells-Barkerville area of the Cariboo. Results were very positive as a number of anomalous magnetic and conductivity responses were observed in the airborne data. E. Trent Pezzot, B.Sc. and Glen E. White, B.Sc., P.Eng. in a report dated February 7, 1986 recommended continued exploration. The property is in good standing until 1987.

In summary, 1986 has been a clean-up year for the Company as we have endeavoured to eliminate the negatives and enhance our property portfolio together with decreasing our liability position. The Company has a strong asset base and is now in a position to be able to maneuver in a positive direction to the benefit of its shareholders. We look forward to a very exciting 1987. Again, we extend our thanks for our shareholder's support throughout this past year.

On behalf of the Board,

H.C. Faulkner,
President



**EXPLORATION
REPORT**

TOODOGGONE RIVER AREA

In two seasons, work programs totalling approximately \$700,000 were concluded on this property under the direction of Newmont Mines Limited. As a result of a Supreme Court Appeal action on July 17, 1986, Shasta was successful in regaining 100% interest in this property. Additional claims were also acquired bringing the total holdings to approximately 80 units.

A total of 19 holes for 2003 metres (6,572 feet) of diamond drilling was completed in 1984 on the Creek Zone. This mineral deposit, discovered in 1983, has now been substantially enlarged. Its length is 370 metres (1,215 feet) and its width ranges from 2 to 23 metres (7 to 75 feet). Mineralization extends from surface to a depth of at least 100 metres (330 feet), and is open for extension to depth and to the north. The best mineralization at surface is in trench 83-N4 at 640N-280W, where the weighted average over a width of 11 metres is .307 oz/ton gold and 2.73 oz/ton silver.

RESERVE ESTIMATES

Insufficient drilling has been done to make a detailed calculation of ore blocks, but International Shasta estimates that drill-indicated geologic reserves exceed 500,000 tons averaging 0.17 oz/ton of gold equivalent. Silver values have been converted to equivalent gold based on prevailing prices. Substantially greater tonnages are present if lower grade material adjacent to the high grade core is included. The most significant drill intersections are listed in the table below; the drill hole locations are shown on the accompanying drill hole plan. Certain 1983 holes are also included.

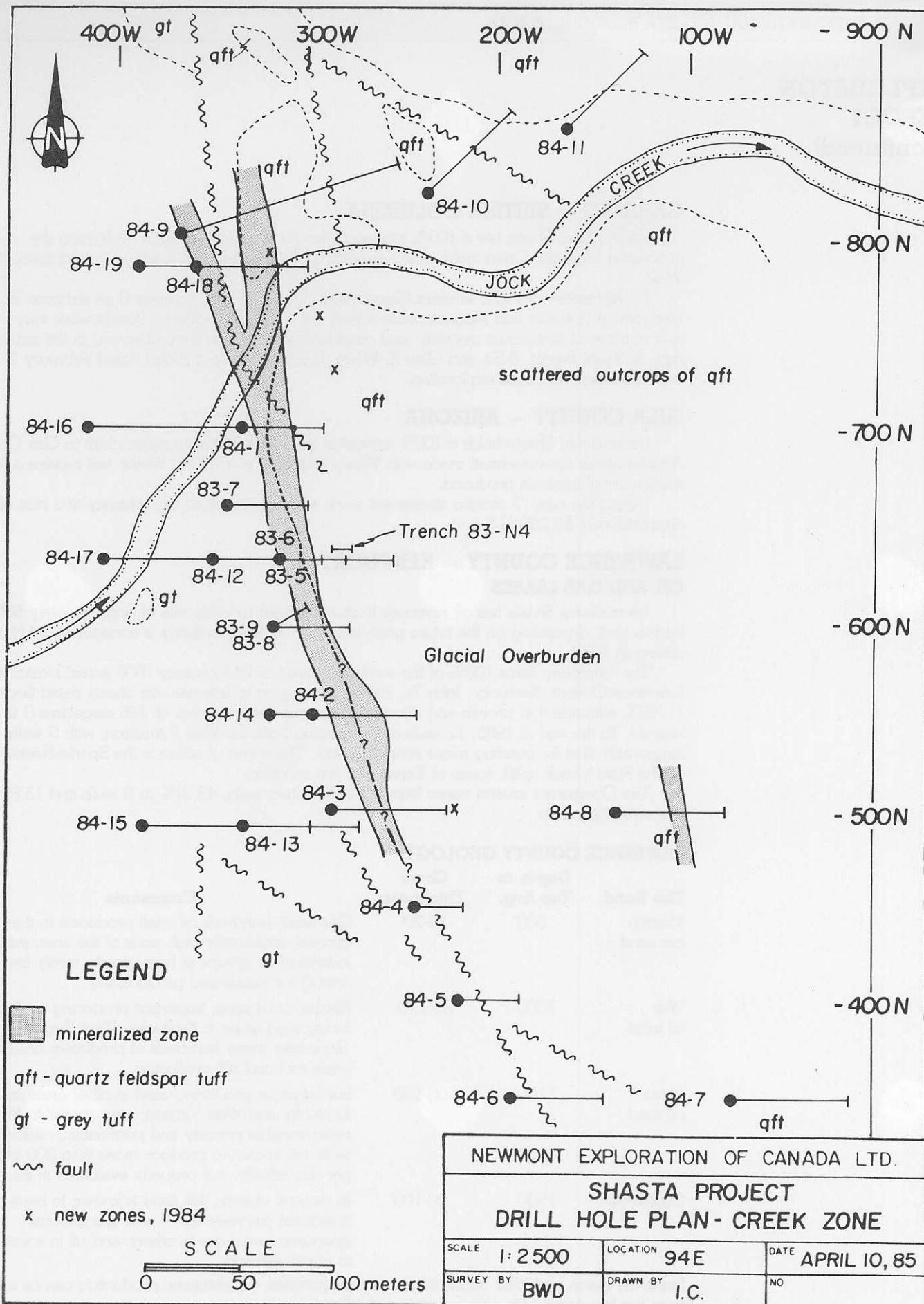
NEW DISCOVERIES

In addition to the Creek Zone described previously, targets for future drilling have been developed elsewhere within the 1000 x 1600 metre area containing numerous indications of gold-silver mineralization. Most geophysical and geochemical anomalies are overburden covered, requiring trenching and/or drilling. As examples, rubble turned up in road building at 500N-220W, containing 1.077 oz/ton gold and 32.58 oz/ton silver, awaits trenching and drilling. Intersections in holes 84-8 and 84-10 to the east of the Creek Zone warrant followup holes on each side.

Positive results have been achieved by a number of companies conducting exploration in the area this summer and Shasta is now preparing and formulating a major program. A number of interested parties have expressed a desire for participation in the further development of Shasta's property.

TABLE OF SIGNIFICANT DRILL INTERSECTIONS

SECTION METRES	DDH	DIP & BRG.	FROM	TO	LENGTH METRES	WEIGHTED AVERAGES		
						oz/t Au	oz/t Ag	oz/t Au equivalent
350N	84-6	55°E	30.1	31.1	1.0	.146	10.52 ²	0.370
500N	84-3	55°E	28.4	34.1	5.7	.158	9.86	0.369
	84-8	55°E	49.0	57.9	8.9	.074	2.52	0.128
550N	84-2	55°E	34.2	41.0	6.8	.055	2.97	0.118
	84-14	55°E	50.3	73.1	22.8	.066	4.24	0.156
600N	83-9	70°N 60°E	47.5	58.1	10.6	.110	3.84	0.195
640N	83-5	45°E	14.6	19.6	5.0	.659	7.63	0.820
	83-6	70°E	16.5	27.7	11.2	.209	4.47	0.303
	84-12	60°E	39.3	49.0	9.7	.065	1.58	0.099
666N	83-7	45°E	20.0	24.7	4.7	.077	1.06	0.100
			36.9	43.0	6.1	.056	4.65	0.155
	700N	84-1	45°E	9.3	15.2	5.9	.043	3.52
785N	84-18	55°E	54.7	60.7	6.0	.081	2.93	0.143
	84-19	55°E	42.0	46.9	4.9	.155	9.32	0.354
				including	1.0	.642	40.11	1.496
			68.0	69.3	1.3	.216	2.96	0.279
815N	84-9	45°N 70°E	47.7	51.0	3.3	.184	8.52	0.365
				including	0.5	1.028	48.37	2.058
	84-10	45°N 45°E	13.9	16.4	2.5	.109	.62	0.122
			75.0	75.8	0.8	.134	3.16	0.201





**EXPLORATION
REPORT
(Continued)**

CARIBOO – BRITISH COLUMBIA

International Shasta has a 100% interest in the 20 unit Yuma property adjoining the producing Mosquito Creek gold mine just north of the colourful old Cariboo mining town of Wells.

In September of 1985, Western Geophysical Aero Data Ltd. completed an airborne VLF-Electromagnetometer and Magnetometer survey on the Yuma property. Results were very positive as a number of anomalous magnetic and conductivity responses were observed in the airborne data. E. Trent Pezzot, B.Sc. and Glen E. White, B.Sc., P.Eng. in a report dated February 7, 1986 recommended continued exploration.

GILA COUNTY – ARIZONA

International Shasta holds a 100% interest in the 22 unit Ajax uranium claim in Gila County, Arizona under an agreement made with Weaco Exploration in 1976. Weaco will receive a 2% royalty on all minerals produced.

During the past 12 months assessment work was completed on the property at a cost of approximately \$2,200 U.S.

LAWRENCE COUNTY – KENTUCKY

OIL AND GAS LEASES

International Shasta has oil revenues from a stabilized monthly rate of approximately 500 barrels and, depending on the future price trend for oil, the Company is considering additional drilling in 1987.

The Company owns 100% of the working interest in 244 hectares (606 acres) located in Lawrence County, Kentucky. John Yu, P.Eng., in a report to International Shasta dated September 1, 1983, estimates that proven and developed reserves are in excess of 236 megalitres (1.6 million barrels). To the end of 1985, 12 wells are producing from the Weir Formation, with 5 wells temporarily shut in, pending major remedial work. The scene of action is the Sparks-Neeley leases on the Paint Creek uplift, scene of Kentucky's first oil strike.

The Company's interest varies from 80.47% in two wells, 43.21% in 9 wells and 13.80% in two remaining wells.

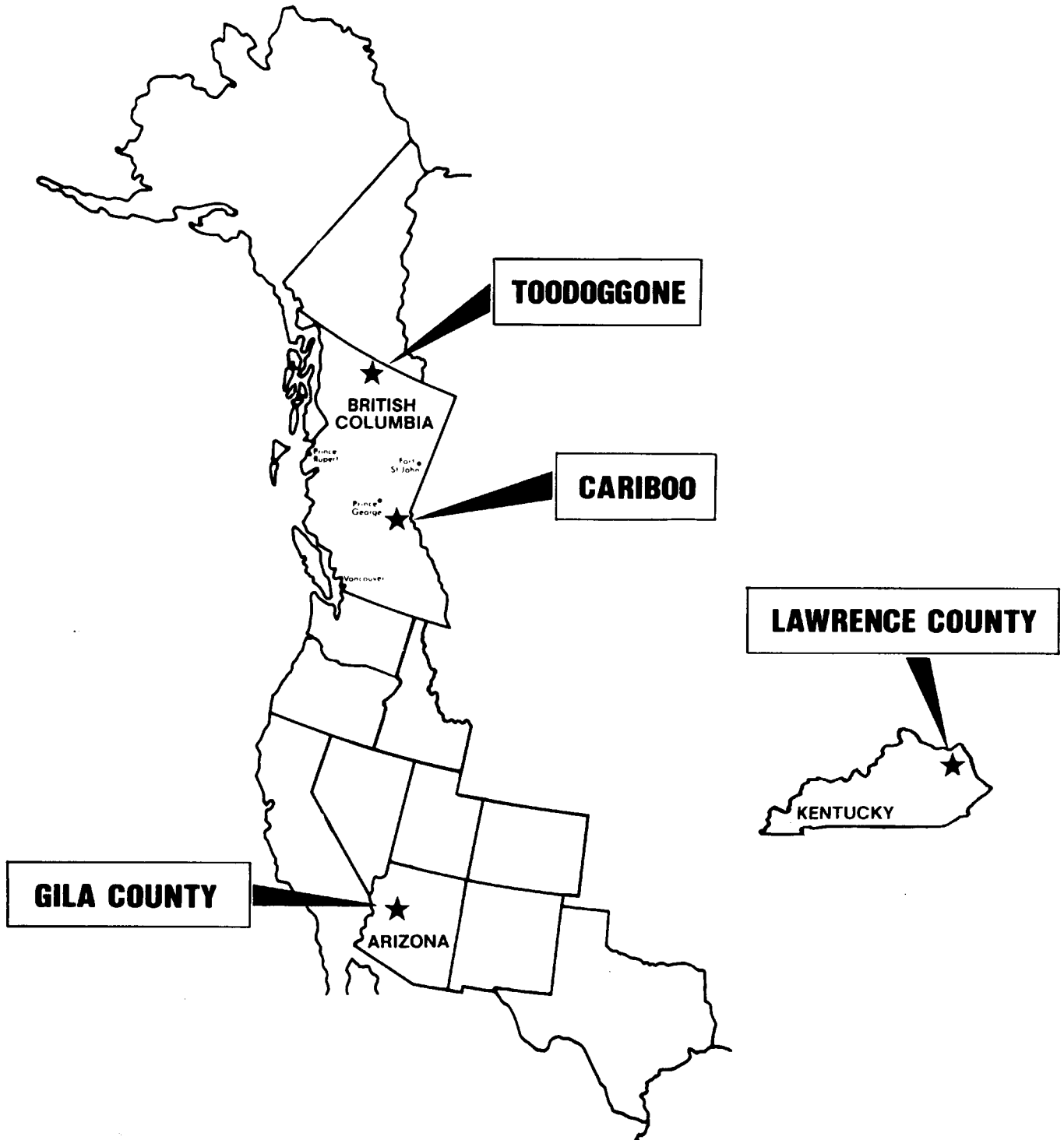
LAWRENCE COUNTY GEOLOGY

The Sand	Depth to Top-Avg.	Gross Thickness	Comments
Maxton gas sand	500'	15-20'	Gas sand; hundreds of small producers in the general, structurally high parts of the area, supplying individual or groups of homesteads; rarely fractured (frac'd) for maximized productivity.
Weir oil sand	1000'	80-120'	Blanket of oil sand; important producing sand in widespread areas in Kentucky, West Virginia and Tennessee; many hundreds of producers drilled by cable tool and still producing.
Berea oil sand	1100'	100-130'	Important oil producing sand in other areas in Kentucky and West Virginia; very similar to Weir but more variable porosity and permeability; some Berea wells are known to produce more than 200 barrels per day initially, not properly evaluated in the area.
Coniferous	1500'	90-100'	In general vicinity, this sand is known to have significant gas reserves — sour gas in some structures; sweet gas in others; and oil in some; gas in much demand.

Since the Berea and Weir Sands oil can be commingled, simultaneous production can be taken from the two zones with only one string of tubing.



**PROPERTY
LOCATIONS**





CAMPBELL, SAUNDERS, SADOVNICK & CO.

CHARTERED ACCOUNTANTS

CLIVE N. CAMPBELL, C.A.
HAROLD D. SAUNDERS, C.A.
(Trustee in Bankruptcy)
AARON H. SADOVNICK, C.A.
MURRAY A. NITIKMAN, C.A.
WILLIAM D. KATZIN, C.A.

1200 VANCOUVER CENTRE
P.O. BOX 11544
650 WEST GEORGIA STREET
VANCOUVER, B.C. V6B 4N7
TELEPHONE (604) 681-5500

AUDITORS' REPORT

To: The Shareholders of
International Shasta Resources Ltd.
(Formerly International Shasta Resources Ltd. (N.P.L.))

We have examined the balance sheet of **International Shasta Resources Ltd. (Formerly International Shasta Resources Ltd. (N.P.L.))** as at April 30, 1986 and the statements of loss, deficit, resource property expenditures 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 financial statements present fairly the financial position of the Company as at April 30, 1986 and the results of its operations 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.

Campbell Saunders Sadovnick & Co.
CHARTERED ACCOUNTANTS

Vancouver, B.C.
September 5, 1986



INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))

BALANCE SHEET
AS AT APRIL 30, 1986

A S S E T S	1986	1985
CURRENT		
Cash	\$ 1,243	\$ 1,028
Accounts receivable	4,045	76,860
Prepaid expenses	1,747	5,194
Loans receivable (Note 7)	<u>31,459</u>	<u>21,768</u>
	<u>38,494</u>	<u>104,850</u>
INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Note 2)	<u>525,289</u>	<u>544,749</u>
FIXED ASSETS (Note 3)	<u>20,760</u>	<u>43,701</u>
	<u><u>\$584,543</u></u>	<u><u>\$693,300</u></u>

LIABILITIES

CURRENT		
Bank advances (Note 4)	\$ 72,975	\$ 54,435
Accounts payable and accrued liabilities	87,383	111,550
Loans payable (Note 5)	94,565	108,215
Current portion of long-term debt	<u>4,310</u>	<u>-</u>
	<u>259,233</u>	<u>274,200</u>
LONG-TERM DEBT (Note 6)	<u>10,409</u>	<u>-</u>
CONTINGENT LIABILITIES (Note 8)		

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Notes 9, 10, and 11)	3,157,206	3,068,456
CONTRIBUTED SURPLUS	15,000	15,000
DEFICIT	<u>(2,857,305)</u>	<u>(2,664,356)</u>
	<u>314,901</u>	<u>419,100</u>
	<u><u>\$ 584,543</u></u>	<u><u>\$ 693,300</u></u>

APPROVED BY THE DIRECTORS:

J. J. Gaudin Director

[Signature] Director



INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))

STATEMENT OF DEFICIT
FOR THE YEAR ENDED APRIL 30, 1986

	1986	1985
DEFICIT - BEGINNING OF YEAR	\$2,664,356	\$2,412,737
Net loss for the year	<u>192,949</u>	<u>251,619</u>
DEFICIT - END OF YEAR	<u>\$2,857,305</u>	<u>\$2,664,356</u>

INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))

STATEMENT OF LOSS
FOR THE YEAR ENDED APRIL 30, 1986

	1986	1985
OIL OPERATIONS		
Revenue		
Oil sales	\$ 87,829	\$117,023
Less royalty payments	<u>12,437</u>	<u>17,035</u>
	<u>75,392</u>	<u>99,988</u>
Direct expenses		
Well operating costs	11,411	10,076
Field supervision	30,093	16,836
Truck expenses	4,850	3,503
Depreciation and depletion	<u>36,674</u>	<u>40,790</u>
	<u>83,028</u>	<u>71,205</u>
	7,636	(28,783)
COAL OPERATIONS		
Loss for year	<u>-</u>	<u>108,136</u>
LOSS BEFORE GENERAL AND ADMINISTRATIVE EXPENSES	7,636	79,353
General and administrative expenses	<u>185,313</u>	<u>172,266</u>
NET LOSS	<u>\$192,949</u>	<u>\$251,619</u>



INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))
STATEMENT OF RESOURCE PROPERTY EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 1986

	1986	1985
COSTS INCURRED DURING THE YEAR		
Oil Properties		
Foreign Exchange	<u>\$ 2,411</u>	<u>\$ 7,690</u>
Mineral Claims		
Ajax claims	3,029	2,882
Shas claims	2,000	-
Yuma claims	<u>4,700</u>	<u>-</u>
	<u>9,729</u>	<u>2,882</u>
	<u>12,140</u>	<u>10,572</u>
COSTS WRITTEN-OFF DURING THE YEAR		
Depletion	31,600	39,500
Option payment on Shas claims	<u>-</u>	<u>30,000</u>
	<u>31,600</u>	<u>69,500</u>
DECREASE DURING THE YEAR	(19,460)	(58,928)
Balance - beginning of year	<u>544,749</u>	<u>603,677</u>
BALANCE - END OF YEAR	<u>\$525,289</u>	<u>\$544,749</u>



INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED APRIL 30, 1986

	1986	1985
OPERATING ACTIVITIES		
Net loss for the year	\$(192,949)	\$(251,619)
Charges to operations not resulting in an outlay of funds		
Depreciation and depletion	39,207	77,827
Loss on sale of fixed assets	<u>39</u>	<u>6,334</u>
	(153,703)	(167,458)
Decrease (increase) in accounts receivable	72,815	(66,450)
Decrease (increase) in prepaid expenses	3,447	(3,447)
Decrease (increase) in loans receivable	(9,691)	10,076
(Decrease) in accounts payable	<u>(24,167)</u>	<u>(13,603)</u>
	<u>(111,299)</u>	<u>(240,882)</u>
FINANCING ACTIVITIES		
Issuance of share capital	88,750	24,882
Increase (decrease) in loans payable	(13,650)	98,155
Increase in long term debt	<u>14,719</u>	<u>-</u>
	<u>89,819</u>	<u>123,037</u>
INVESTING ACTIVITIES		
Resource property expenditures	(12,140)	(10,572)
Purchase of fixed assets	(22,740)	-
Proceeds on sale of fixed assets	38,035	102,470
Option payment on resource property	<u>-</u>	<u>30,000</u>
	<u>3,155</u>	<u>121,898</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(18,325)	4,053
Cash and equivalents - beginning of year	<u>(53,407)</u>	<u>(57,460)</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ (71,732)</u>	<u>\$ (53,407)</u>
REPRESENTED BY:		
Cash	\$ 1,243	\$ 1,028
Bank advances	<u>(72,975)</u>	<u>(54,435)</u>
	<u>\$ (71,732)</u>	<u>\$ (53,407)</u>



INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 1986

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment In And Expenditures On Resource Properties:

The Company follows the policy of deferring all acquisition, administrative, exploration, development, preproduction and overhead costs relating to the development of mineral claims and oil and gas properties. These costs are written-off if the claims or properties are abandoned or sold or amortized over the estimated production life of the properties, should mineral production or oil revenue commence.

The Company follows the full-cost method of accounting for expenditures relating to its oil and gas properties.

The amounts represent costs accumulated to date and are not intended to reflect present or future values. The value of the mineral claims and oil and gas properties and the realization of deferred costs is dependent on the future commercial development of the properties.

Depreciation:

Depreciation is provided on assets on the declining balance method over their estimated useful lives as follows:

Vehicles and mobile equipment	30%
Equipment	20%
Furniture and fixtures	20%

Foreign Currency Translation:

Monetary items are translated into Canadian dollars at the rate of exchange in effect as at the balance sheet date.

Non-monetary items are translated into Canadian dollars at historical exchange rates.

Revenues and expenses are translated at an average exchange rate for the year.

Depreciation and depletion of assets translated at historical exchange rates are translated at the same exchange rates as the assets to which they relate.

Gains (Losses) on translation of foreign currency balances are deferred and included with resource property expenditures.

INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1986**NOTE 2 - INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES**

Investment in and expenditures on resource properties consist of the following:

	1986	1985
Oil properties	\$295,071	\$324,260
Mineral claims	<u>230,218</u>	<u>220,489</u>
	<u>\$525,289</u>	<u>\$544,749</u>

Oil Properties:

The Company holds 100% of the working interest in certain oil and gas leases in Lawrence County, Kentucky. Located on these leases are 17 oil wells in which the Company has retained a working interest between 14% and 81%. At year-end five wells were non-producing pending major remedial work, leaving twelve producing wells.

Mineral Claims:**Ajax Mining Claims**

The Company holds a 100% interest subject to a 2% net royalty in 22 mining claims in Gila County, Arizona.

Shas Mining Claims:

The Company holds a 9 claim - 34 unit gold/silver prospect in the Toodoggone River area of north-central British Columbia.

On May 19, 1983, the Company entered into an agreement with Newmont Mines Limited covering the sale of a 70% interest in 14 units of the Shas Mining Claims for consideration of \$300,000 to be paid to the Company by July 1, 1986. The Company received \$60,000 under this agreement. Newmont also agreed to expend amounts of at least \$1,500,000 on the mining claims by December 31, 1987. Newmont was granted an option to purchase an additional 20% interest in the mining claims for \$3,000,000 within 60 days of fulfilling its obligations as noted above.

During the current year, Newmont Mines Limited assigned its interest in the option agreement to Artic Red Resources Corp. The Company did not recognize the assignment and commenced legal action to have the option agreement terminated and to require full interest in the mining claims.

Subsequent to April 30, 1986, the Company was successful in the B.C. Court of Appeal which ordered that the option agreement between the Company and Newmont Mines Limited be terminated, and that the Company require full interest in the mining claims. As a result of this decision, the Company obtained



**INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1986**

NOTE 2 - INVESTMENT IN AND EXPENDITURES ON RESOURCE PROPERTIES (Cont'd)

title to an additional 4 claims covering 46 units in areas adjacent to its original 14 unit claim.

Yuma Claims:

The Company holds a 100% interest in a 20-unit claim potential gold property situated in the Cariboo Mining Division of the Province of British Columbia.

NOTE 3 - FIXED ASSETS

Fixed assets consist of the following, at cost:

	1986	1985
Vehicles	\$19,279	\$ 19,279
Equipment	13,900	60,802
Furniture and fixtures	<u>27,808</u>	<u>27,808</u>
	60,987	107,889
Less accumulated depreciation	<u>40,227</u>	<u>64,188</u>
	<u>\$20,760</u>	<u>\$ 43,701</u>

NOTE 4 - BANK ADVANCES

Bank advances consist of the following:

	1986	1985
Secured by an assignment of oil receipts and by personal guarantee of a director, repayable from oil receipts to a maximum of \$4,000 U.S. per month principal and interest.	\$48,975	\$ 45,935
Secured by personal guarantee of a director.	<u>24,000</u>	<u>8,500</u>
	<u>\$ 72,975</u>	<u>\$ 54,435</u>



INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1986

NOTE 5 - LOANS PAYABLE

The Company has agreed to provide, if requested by the lender, as security for a \$50,000 loan payable, an assignment of the oil and gas lease which contains 11 of the company's producing wells.

NOTE 6 - LONG TERM DEBT

Bank loan, 17.48% p.a., secured by equipment payable in monthly instalments of \$396, principal and interest, due February 1989.

\$14,719

Principal payments due within 1 year

4,310

\$10,409

NOTE 7 - RELATED PARTY TRANSACTIONS

At April 30, 1986, \$31,459 was receivable from an officer, personally together with companies controlled by him, made up of management fees paid in advance of \$23,000 and loans receivable of \$8,459.

An amount of \$46,000 was paid to a company controlled by an officer for management service rendered under a management contract.

NOTE 8 - CONTINGENT LIABILITIES.

The Company entered into an agreement in 1980 with a drilling fund for the drilling of ten wells. The Company has drilled sufficient wells to cover the \$136,500 U.S. received. The programme has been halted; each party claiming the other is in default. No formal proceedings have been taken and no formal action has been instituted in connection with this dispute.

The Company has commenced an action in Laurel Circuit Court of Kentucky to recover moneys and property in the amount of \$15,500 U.S. from an ex-employee of its coal operation. In return, the ex-employee is suing the Company for \$146,500 U.S. Although, no legal opinion is available, management feels that the Company will be successful in its defence and no liability will result.



INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1986

NOTE 9 - CAPITAL STOCK

The Company is authorized to issue the following class of shares:

Common - a maximum of 30,000,000 common shares without par value (April 30, 1985 - 10,000,000).

	1986		1985	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Common shares - beginning of year	<u>5,578,930</u>	<u>\$3,068,456</u>	<u>5,413,050</u>	<u>\$3,043,574</u>
Issued for:				
Cash				
- Exercise of stock options	225,000	33,750	-	-
Repayment of loan payable	220,000	55,000	-	-
Settlement of liabilities	-	-	165,880	24,882
	<u>445,000</u>	<u>88,750</u>	<u>165,880</u>	<u>24,882</u>
Common shares - end of year	<u><u>6,023,930</u></u>	<u><u>\$3,157,206</u></u>	<u><u>5,578,930</u></u>	<u><u>\$3,068,456</u></u>

NOTE 10 - STOCK OPTIONS AND WARRANTS

The following stock options were outstanding at April 30, 1986:

Option for:

25,000 shares at \$.15 per share, expiring September 9, 1987.

270,000 shares at \$.15 per share expiring November 20, 1988.

300,000 shares at \$.30 per share, expiring February 2, 1991 subject to regulatory approval. Subsequent to the year end, these options were canceled since the optionee ceased being an officer of the Company.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to April 30, 1986, the Company issued a private placement of 900,000 shares at \$.15 per share.

Subsequent to April 30, 1986, stock options for 270,000 shares at \$.15 per share were exercised.

On July 31, 1986 the Company granted a stock option to a director of the Company for 350,000 shares at \$.20 per share, exercisable over a five year period subject to regulatory and shareholder approvals.



INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED APRIL 30, 1986

	1986	1985
Accounting and legal	\$ 40,788	\$ 23,940
Advertising and promotion	9,617	11,607
Bank charges and interest	19,392	11,700
Company profile	-	16,402
Depreciation	2,533	3,064
Licences and listing fees	5,451	1,825
Loss on sale of fixed assets	39	-
Management fees (Note 7)	46,000	43,200
Miscellaneous	8,844	4,376
Office	14,376	17,376
Rent	10,813	8,211
Shareholder information	1,583	5,410
Telephone	9,604	12,443
Transfer agent	2,016	3,698
Travel	14,257	9,014
	<u>\$185,313</u>	<u>\$172,266</u>

INTERNATIONAL SHASTA RESOURCES LTD.
(Formerly International Shasta Resources Ltd. (N.P.L.))

NOTES TO FINANCIAL STATEMENTS

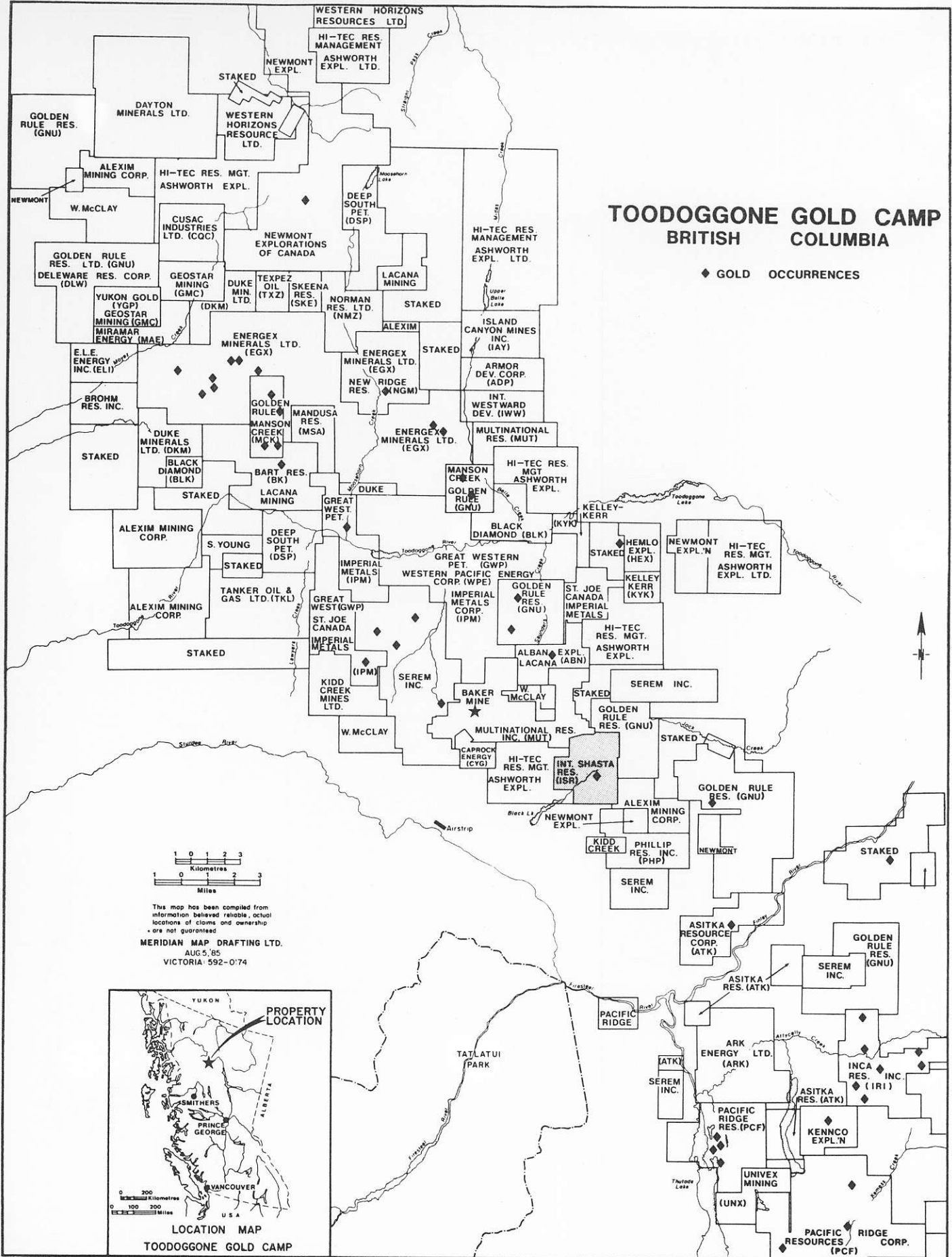
APRIL 30, 1986

NOTE 12 - COMMITMENTS

The Company occupies its office premises under a five-year lease agreement with a base monthly payment of \$547. The lease expires August 31, 1986.

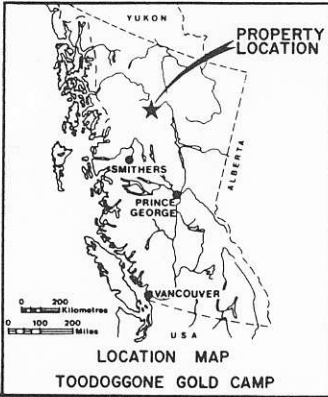
TOODOGGONE GOLD CAMP BRITISH COLUMBIA

◆ GOLD OCCURRENCES



This map has been compiled from information believed reliable, actual locations of claims and ownership are not guaranteed.

MERIDIAN MAP DRAFTING LTD.
AUG 5, '85
VICTORIA 592-0774



LOCATION MAP
TOODOGGONE GOLD CAMP